



0000146933

RECEIVED

2013 JUL 15 P 3: 22

AZ CORP COMMISSION
DOCKET CONTROL

Transcript Exhibit(s)

Docket #(s): W-04254A-12-0204

W-04254A-12-0205

W-04254A-12-0206

W-04254A-12-0207

W-04254A-11-0323

W-04254A-08-0361

W-04254A-08-0362

Exhibit #: C63,C64, C66, C67,C69-C71, C74- C78, C80, C81, C83- C85, C87- C90,

C92-C99, C101-C103, C105-C107, C109-C111,C113

PART 2 OF 4. FOR PART 1 PLEASE SEE BARCODE 0000146932, FOR PART 3 SEE

BARCODE 0000146934, FOR PART 4 SEE BARCODE 0000146935

C - EX 63

DECLARATION OF PATRICIA OLSEN

I, Patricia Olsen, declare and state under penalty of perjury as follows:

1. I am a resident of Coconino County, Arizona, over 18 years of age, and have personal knowledge of the matters contained herein.

2. I am currently the Manager and Owner of Montezuma Rimrock Water Company.

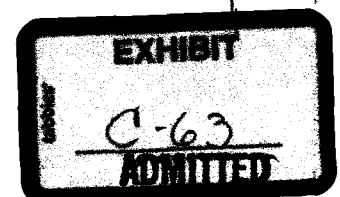
3. I am providing this declaration in response to the Motion for Partial Summary in consolidated docket currently before the Corporation Commission.

4. Specifically, in this declaration, I address some of the factual claims made by Mr. Dougherty in his motion.

5. To start, Mr. Dougherty argues that "[t]o avoid disclosure of Capital Leases that would have required review and approval by Commission staff, Montezuma executed a fraudulent scheme in Docket W-04254A-08-0361, 0362 whereby the Company and its Counsel stated that Ms. Patricia Olsen had personally entered into two separate lease agreements for the facility and the building." This claim relates to the Nile River lease agreement. MRWC did not execute any "fraudulent scheme as claimed by Mr. Dougherty in his motion.

6. Originally, Odyssey Financial provided me with two versions of the lease agreement—two leases for my personal signature and one for the Company. Those leases are attached as Exhibits 1 and 2 to Mr. Dougherty's statement of facts. I did not draft those lease documents—rather they were provided by Odyssey Financial. The Nile River lease is not a contract document or form created by MRWC. Those documents were provided by Odyssey Financial to myself.

7. In his motion, Mr. Dougherty cites to the fact that the signature of Ms. Richards on the March 16, 2012 lease agreements is not an authorized signature. I do not



1 know who signed that agreement for Nile River—I believed it was an authorized signature
2 of Nile River. I also would note that the March 22, 2012 lease signed by Mr. Torbenson
3 is the actual agreement between MRWC and Nile River.

4 8. At that time, MRWC faced substantial pressure from ADEQ to address the
5 arsenic problem. MRWC attempted to find financing for the arsenic treatment facilities
6 and Odyssey Financial provided the only available option. In turn, I signed both lease
7 agreements with Nile River dated March 16, 2012. As originally proposed, I intended to
8 proceed with the personal leases with Nile River in order to expedite the financing and
9 construction of the arsenic facilities. Subsequently, however, Nile River informed me that
10 it could not enter a lease with me personally and that the Company needed to be party to
11 the agreement. Odyssey Financial then provided the March 22, 2012 lease agreement
12 between MRWC and Nile River.

13 9. As acknowledged in prior pleadings, I acknowledge that the Company
14 should have docketed the March 22, 2012 lease agreement between MRWC and Nile
15 River and sought Commission approval. MRWC apologizes for that omission. The
16 Company also acknowledges that the Nile River lease agreement is a capital lease based
17 on Rider 2. Unfortunately, MRWC did not have a copy of Rider 2 in its files. In any
18 event, the Company submitted the March 22, 2012 Nile River lease agreement for
19 Commission approval in its Notice of Filing Financing Applications on April 12, 2013.
20 MRWC also docketed that lease agreement and the May 2, 2012 lease agreement with
21 Financial Pacific with the Commission on October 26, 2012 in Docket No. 12-0204.

22 10. I was in contact with Commission Staff relating to the lease agreements and
23 MRWC docketed the Nile River lease agreement on October 26, 2012. The fact that
24 MRWC docketed those agreements in October 2012 shows that the Company intended for
25 the Commission to review the leases. The Company intended that the lease agreement
26 would be considered and reviewed by the Commission in its rate case.

1 11. In his motion, Mr. Dougherty focuses on issues relating to the timing of the
2 lease agreements with both Nile River and Financial Pacific. On those issues, it bears
3 repeating that MRWC was under immediate orders and pressure from ADEQ to install an
4 arsenic treatment system. For that reason, MRWC proceeded with the lease agreements
5 and installation of the arsenic facility. That decision served the public interest and clearly
6 benefitted MRWC customers by facilitating installation and construction of arsenic
7 treatment facilities.

8 12. Put simply, MRWC customers clearly benefitted through financing and
9 construction of arsenic treatment facilities. Customers are receiving water in compliance
10 with Safe Water Drinking standards for arsenic. Further, MRWC didn't start making
11 payments to Financial Pacific for the arsenic treatment system until October 23, 2012.
12 MRWC started making payments to Nile River for the arsenic building on December 17,
13 2012. Prior to those dates, I made the payments to Financial Pacific and Nile River
14 through my personal checking account. Even further, the leases required up front money
15 deposits and I paid those deposits through my personal checking account.

16 13. Next, Mr. Dougherty apparently claims MRWC committed fraud by
17 docketing a lease with Financial Pacific dated May 2, 2012, instead of April 2, 2012.
18 Both of those lease agreements were provided to MRWC and Ms. Olsen by Financial
19 Pacific. I did not draft those lease documents—rather they were provided by Financial
20 Pacific. That lease is not a contract document or form created by MRWC.

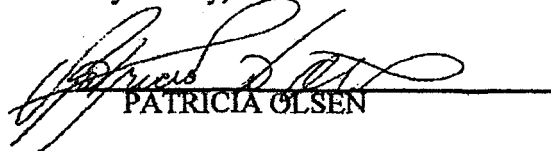
21 14. Odyssey Financial originally provided an undated lease agreement to
22 MRWC, which was signed by me. Subsequently, I spoke with a representative of
23 Financial Pacific and was advised that it would take 30-60 days to finalize the agreement.
24 As a result, Financial Pacific provided MRWC with two copies of the lease agreements
25 dated April 2, 2012 and May 2, 2012. Representatives of Financial Pacific advised Ms.
26 Olsen that the agreement could be dated in April or May. At the time, MRWC focused on

1 getting the financing in place for the arsenic treatment plant. For these reasons, I
2 considered the May 2012 Financial Pacific lease as the final agreement. I should also
3 mention that the April 2012 and May 2012 Financial Pacific lease agreements have
4 identical terms and conditions.

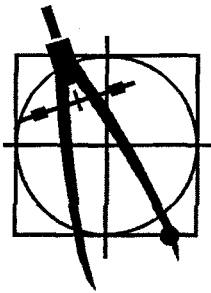
5 15. The Company acknowledges that the Company should have docketed the
6 lease agreements and apologizes for the mistake. The Company did not have any ulterior
7 or improper motive. MRWC corrected that occurrence by docketing those agreements in
8 October 2012 and then seeking financing approval for those leases in April 2013.

9 I declare under penalty of perjury that the foregoing is true and correct.

10 EXECUTED this 14th day of May, 2013.

11
12 
13 PATRICIA OLSEN

14 8164354.1
15
16
17
18
19
20
21
22
23
24
25
26



**Engineering Report for
Montezuma Rimrock Water Company,
LLC**

Docket No. W-04254A-08-0361 (Rates)

By Marlin Scott, Jr.

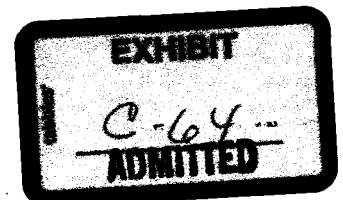
February 25, 2009

CONCLUSIONS

- A. Montezuma Rimrock Water Company, LLC ("Company") is not within an Arizona Department of Water Resources ("ADWR") Active Management Area. According to ADWR, the Company is in compliance with ADWR's requirements governing water providers and/or community water systems.
- B. A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.
- C. The Company has an approved curtailment tariff that became effective on April 1, 2002.
- D. The Company has an approved backflow prevention tariff that became effective on November 27, 1996.

RECOMMENDATIONS

- 1. The Company's system does not have adequate well and storage capacity at this time. Staff recommends that the Company file with Docket Control, as a compliance item in this case, by December 31, 2009, a copy of the Arizona Department of Environmental Quality ("ADEQ") Certificate for Approval of Construction for the new Well #4.
- 2. Staff recommends an annual water testing expense of \$2,051 be used for purposes of this application.
- 3. The ADEQ has reported that the Company is not currently delivering water that meets the water quality standards. Staff recommends that the Company file with Docket Control, as a compliance item in this case, by December 31, 2009, a copy of the ADEQ Certificate for Approval of Construction for the arsenic treatment project.
- 4. The Company has adopted Staff's typical and customary depreciation rates as delineated in Table B and Staff recommends that the Company continue to use these depreciation rates.



Montezuma Rimrock Water Company, LLC

February 25, 2009

Page 2

5. The Company did not request changes to its service line and meter installation charges. However, Staff recommends approval of separate installation charges for the service line and meter installation charges as delineated in Tables C-1 and C-2.

TABLE OF CONTENTS

	<u>PAGE</u>
ENGINEERING REPORT FOR MONTEZUMA RIMROCK WATER COMPANY, LLC.....	1
CONCLUSIONS	1
RECOMMENDATIONS	1
A. LOCATION OF COMPANY.....	4
B. DESCRIPTION OF THE WATER SYSTEM	4
FIGURE 1. COUNTY MAP	6
FIGURE 2. CERTIFICATED AREA.....	7
FIGURE 3. SYSTEM SCHEMATIC.....	8
C. WATER USE.....	9
<u>WATER SOLD</u>	9
FIGURE 4. WATER USE.....	9
<u>NON-ACCOUNT WATER</u>	9
<u>SYSTEM ANALYSIS</u>	9
D. GROWTH.....	10
FIGURE 5. GROWTH PROJECTION.....	10
E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY (“ADEQ”) COMPLIANCE	10
<u>COMPLIANCE</u>	10
<u>WATER TESTING EXPENSE</u>	11
<u>ARSENIC</u>	11
F. ARIZONA DEPARTMENT OF WATER RESOURCES (“ADWR”) COMPLIANCE.....	12
G. ARIZONA CORPORATION COMMISSION COMPLIANCE	12
H. DEPRECIATION RATES.....	12
I. OTHER ISSUES.....	13
<u>1. SERVICE LINE AND METER INSTALLATION CHARGES</u>	13
TABLE C-1. SERVICE LINE AND METER INSTALLATION CHARGES	14
TABLE C-2. SERVICE LINE AND METER INSTALLATION CHARGES	14
<u>2. CURTAILMENT TARIFF</u>	15
<u>3. BACKFLOW PREVENTION TARIFF</u>	15
<u>4. OFF-SITE FACILITIES & ORIGINAL MAIN REPLACEMENT HOOK-UP FEE TARIFF</u>	15

A. LOCATION OF COMPANY

Montezuma Rimrock Water Company, LLC ("Company") serves a community near Rimrock, which is located approximately ten miles northeast of Camp Verde. Figure 1 shows the location of the Company within Yavapai County and Figure 2 shows the Certificate of Convenience and Necessity covering approximately 3/8 square-miles.

B. DESCRIPTION OF THE WATER SYSTEM

The water system was field inspected on September 10, 2008, by Marlin Scott, Jr., Staff Utilities Engineer, in the accompaniment of Patricia Olsen, Manager for the Company.

The current operation of the water system consists of two wells (15 and 55 gallons per minute), four storage tanks, two booster systems, and a distribution system serving 206 service connections during the test year ending 2007. A system schematic is shown in Figure 3 with a detailed plant facility listing as follows:

Table 1. Well Data

Well Information	Well #1	Well #3 (Well #2-capped)	Well #4 (Under construction)
ADWR ID No.	55-621604	55-202458	55-213141
Casing Size	12-inch	8-inch	12-inch
Casing Depth	265 ft.	350 ft.	400 ft.
Pump Size	5-Hp	3-Hp	-
Pump Type	Submersible	Submersible	-
Pump Yield	55 GPM	15 GPM	(est. 100 GPM)
Wellhead meter	1-1/2-inch	2-inch	-
Treatment	Liquid chlorinator	Liquid chlorinator	-

Table 2. Storage Tanks & Booster Systems

Location	Plant Facilities
Well Site #1	One 10,000 gallon & two 5,200 gallon storage tanks, two 7-1/2-Hp booster pumps & one 2,000 gallon pressure tank
Well Site #3	One 10,000 gallon storage tank, 5-Hp & 7-1/2-Hp booster pumps & one 2,000 gallon pressure tank

Table 3. Water Mains

Diameter	Material	* Length
2-inch	PVC	733 ft.
4-inch	PVC	16,700 ft.
6-inch	PVC	13,233 ft.
Total:		30,666 ft.

* Note: Provided by the Company in a data request.

Table 4. Customer Meters

Size	Quantity
5/8 x 3/4-inch	197
3/4-inch	11
1-inch	1
2-inch	-
4-inch	-
Total:	209

Table 5. Hydrants

Size	Quantity
Standard	4

Table 6. Equipment & Structures

Equipment & Structures
Well Site #1 – 50 ft. x 100 ft. chain link fencing, 8 ft. x 10 ft. wooden building
Well Site #3 – 50 ft. x 50 ft. chain link fencing
Well Site #4 – 350 ft. chain link fencing (site under construction)

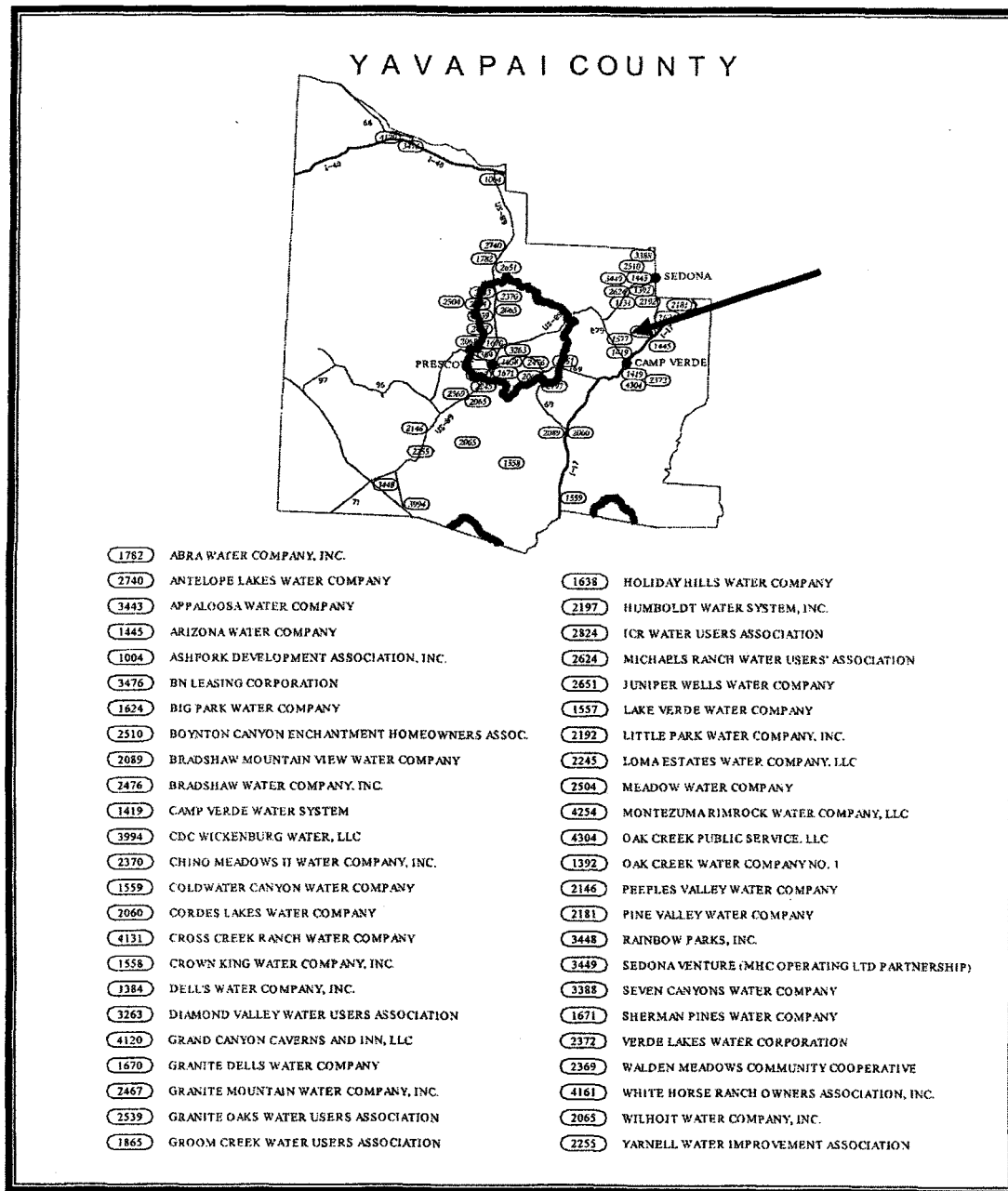


Figure 1. County Map

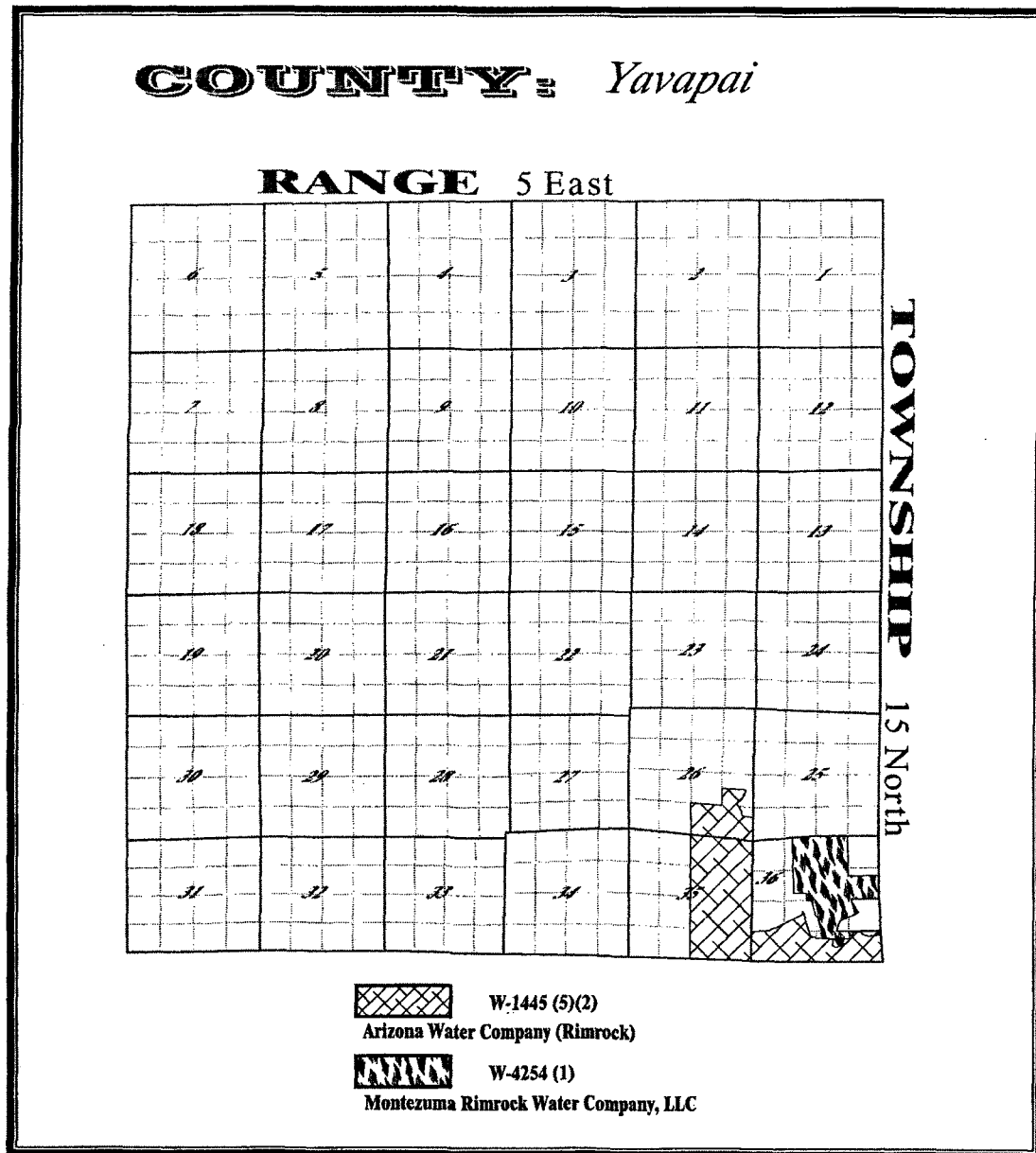


Figure 2. Certificated Area

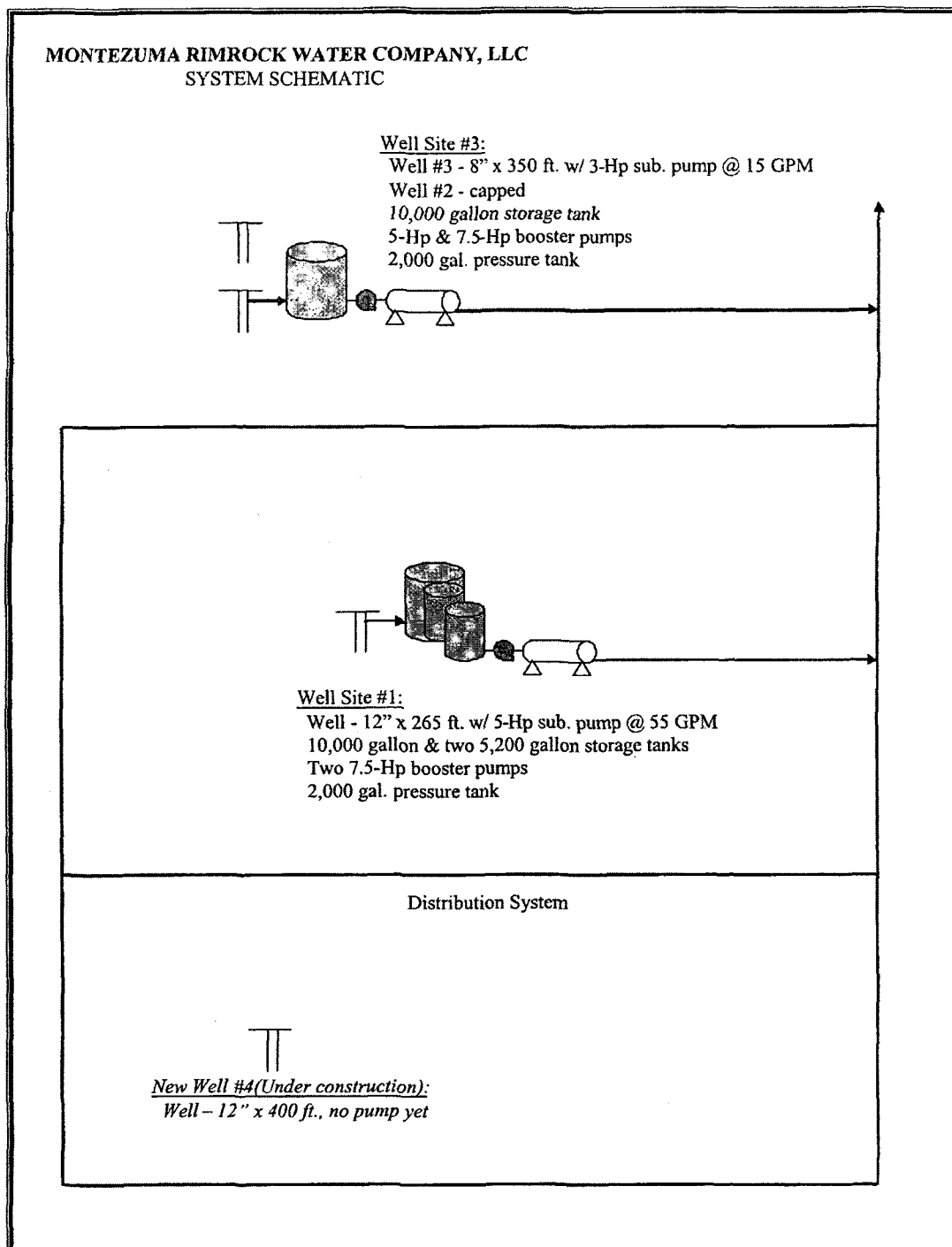


Figure 3. System Schematic

C. WATER USE

Water Sold

Figure 4 presents the water consumption data provided by the Company for the test year ending 2007. The customer consumption experienced a high monthly usage of 238 gallons per day ("GPD") per connection in July and a low monthly water use of 126 GPD per connection in January for an average monthly use of 186 GPD per connection.

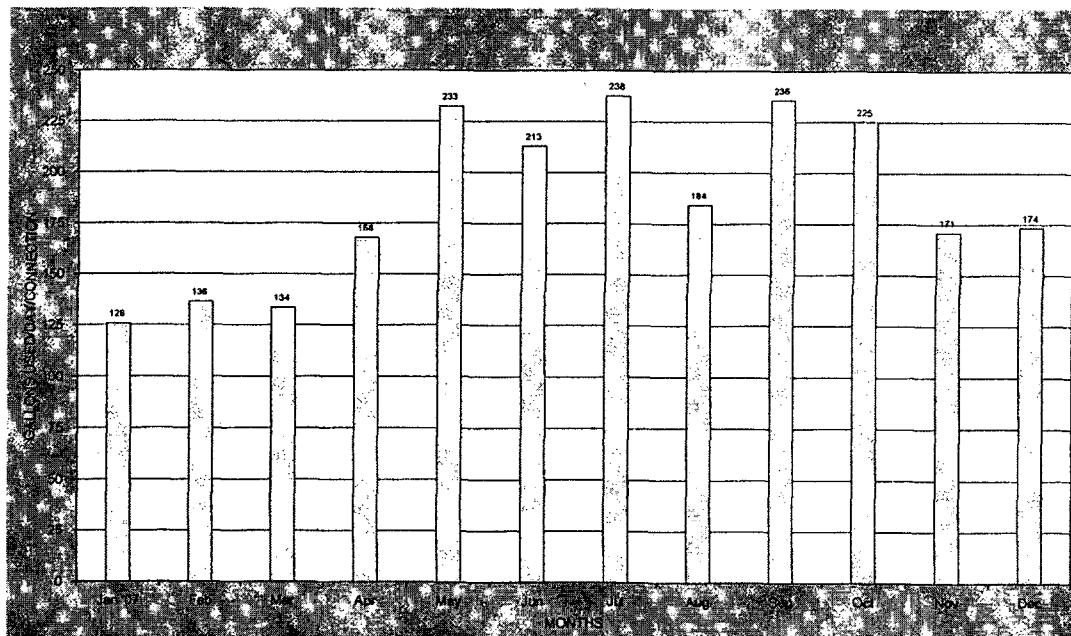


Figure 4. Water Use

Non-Account Water

The Company reported 15,009,000 gallons of water pumped and 14,239,000 gallons of water sold, resulting in a water loss of 5.1 percent. This 5.1 percent is within acceptable limits.

System Analysis

The current well capacity of 70 GPM and storage capacity of 30,400 gallons is adequate to serve up to 92 service connections. For this system to adequately serve the current 206 service connections, the system would need an additional 30,000 gallons of storage capacity.

The Company has begun construction of a new Wellsite #4, which is projected at 100 GPM. This additional well capacity would resolve the required storage capacity needed for this

system. Once this Well #4 is placed into operation, this system could then adequately serve up to approximately 425 service connections.

Staff recommends that the Company file with Docket Control, as a compliance item in this case, by December 31, 2009, a copy of the ADEQ Certificate for Approval of Construction for the new Well #4.

D. GROWTH

Figure 5 details the customer growth using linear regression analysis. The number of service connections was obtained from annual reports submitted to the Commission. During the test year 2007, the Company had 206 metered customers and it is projected that the Company could have approximately 310 customers by 2012.

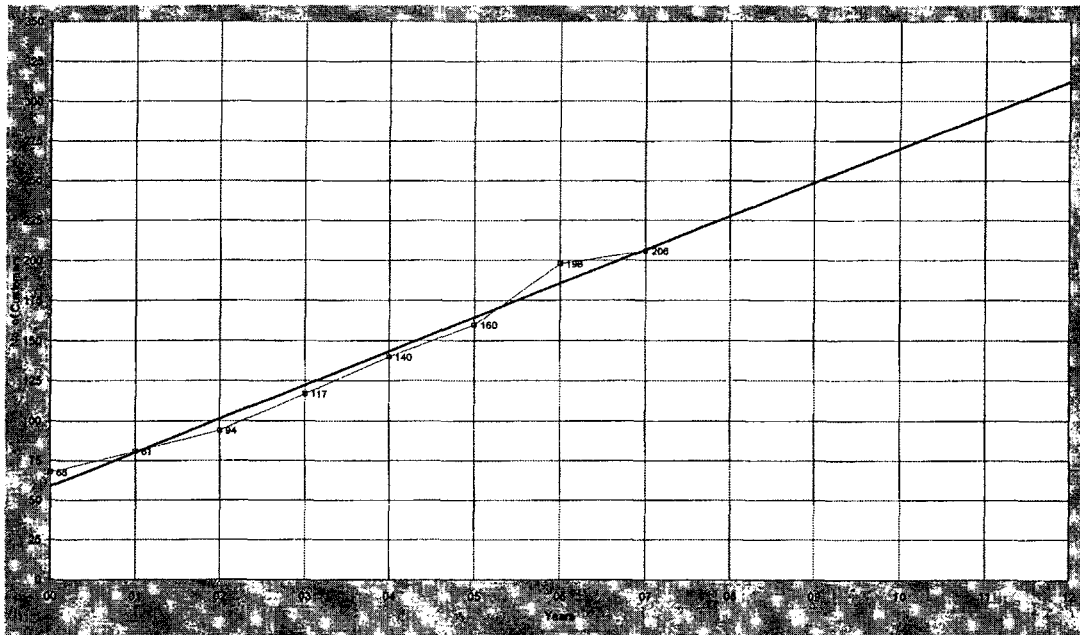


Figure 5. Growth Projection

E. ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY ("ADEQ") COMPLIANCE

Compliance

According to an ADEQ Compliance Status Report, dated August 18, 2008, ADEQ reported major deficiencies due to unresolved arsenic maximum contaminant level ("MCL") issues. As a result, ADEQ cannot determine if this system, PWS #13-071, is currently delivering

water that meets the water quality standards required by Arizona Administrative Code, Title 18, Chapter 4.

On December 17, 2008, ADEQ issued a Notice of Violation ("NOV") to the Company for distribution of water in excess of the MCL for arsenic. The NOV required the Company to submit documentation describing the measures that will be taken to resolve the arsenic exceedance. On February 11, 2009, the Company notified ADEQ that the Company is currently working with Water Infrastructure Finance Authority of Arizona ("WIFA") and the Commission for financing approval for the construction of the arsenic treatment project.

Water Testing Expense

The Company is subject to mandatory participation in the Monitoring Assistance Program ("MAP"). The Company reported its water testing expense at \$2,709 during the test year. Staff has reviewed these expenses and has recalculated the annual expense by adding the omitted monitoring requirements for lead & copper and Disinfection/Disinfection By-Product ("D/DBP"). Annual D/DBP monitoring applies to any public water system that adds a halogenated disinfectant during the treatment process. The Company chlorinates its wells and therefore, is required to monitor for D/DBP. Table A shows Staff's adjusted annual monitoring expense estimate of \$2,051 with participation in the MAP.

Table A. Water Testing Expense

Monitoring	Cost per test	No. of test	Annual Cost
Total coliform – monthly	\$40	12	\$480
MAP – IOCs, Radiochemical, Nitrate, Nitrite, Asbestos, SOCs, & VOCs	MAP	MAP	\$738
Lead & Copper – per 3 years	\$34	10	\$113
D/DBP – TTHM/HAA5 – per year	\$360	2	\$720
Total			\$2,051

Note: ADEQ's MAP invoice for the 2008 Calendar Year was \$738.30.

Staff recommends an annual water testing expense of \$2,051 be used for purposes of this application.

Arsenic

The Company reported the arsenic concentrations for its Well #1 at 35 parts per billion ("ppb") and Well #3 at 43 ppb. The new Well #4 has reported a concentration at 16 ppb. Based on these arsenic concentrations, the Company has submitted a financing application under

Docket No. 08-0362 to address this arsenic issue. See Attachment B for further discussion of the arsenic treatment financing request.

Staff recommends that the Company file with Docket Control, as a compliance item in this case, by December 31, 2009, a copy of the ADEQ Certificate for Approval of Construction for the arsenic treatment project.

F. ARIZONA DEPARTMENT OF WATER RESOURCES ("ADWR") COMPLIANCE

The Company is not located in any Active Management Area. According to ADWR, this Company is in compliance with ADWR's requirements governing water providers and/or community water systems.

G. ARIZONA CORPORATION COMMISSION COMPLIANCE

A check with the Utilities Division Compliance Section showed that the Company had no delinquent Commission compliance issues.

H. DEPRECIATION RATES

In the prior rate case, the Company adopted Staff's typical and customary depreciation rates. These rates are presented in Table B and it is recommended that the Company continue to use these depreciation rates by individual National Association of Regulatory Utility Commissioners ("NARUC") category.

Table B. Depreciation Rates

NARUC Acct. No.	Depreciable Plant	Average Service Life (Years)	Annual Accrual Rate (%)
304	Structures & Improvements	30	3.33
305	Collecting & Impounding Reservoirs	40	2.50
306	Lake, River, Canal Intakes	40	2.50
307	Wells & Springs	30	3.33
308	Infiltration Galleries	15	6.67
309	Raw Water Supply Mains	50	2.00
310	Power Generation Equipment	20	5.00
311	Pumping Equipment	8	12.5
320	Water Treatment Equipment		
320.1	Water Treatment Plants	30	3.33
320.2	Solution Chemical Feeders	5	20.0
330	Distribution Reservoirs & Standpipes		
330.1	Storage Tanks	45	2.22
330.2	Pressure Tanks	20	5.00
331	Transmission & Distribution Mains	50	2.00
333	Services	30	3.33
334	Meters	12	8.33
335	Hydrants	50	2.00
336	Backflow Prevention Devices	15	6.67
339	Other Plant & Misc Equipment	15	6.67
340	Office Furniture & Equipment	15	6.67
340.1	Computers & Software	5	20.00
341	Transportation Equipment	5	20.00
342	Stores Equipment	25	4.00
343	Tools, Shop & Garage Equipment	20	5.00
344	Laboratory Equipment	10	10.00
345	Power Operated Equipment	20	5.00
346	Communication Equipment	10	10.00
347	Miscellaneous Equipment	10	10.00

I. OTHER ISSUES

1. Service Line and Meter Installation Charges

The Company did not request any changes to its service line and meter installation charges. However, since the Company may at times install meters on existing service lines, it would be appropriate for some customers to only be charged for the meter installation.

Therefore, Staff recommends approval of the charges as shown in Tables C-1 and C-2 below, with separate installation charges for the service line and meter installations.

Table C-1. Service Line and Meter Installation Charges

Meter Size (Same side of road/water main)	Co.'s Current Charges	Service Line Charges	Meter Installation Charges	Total Charges
5/8 x 3/4-inch	\$500	\$370	\$130	\$500
3/4-inch	\$550	\$370	\$180	\$550
1-inch	\$625	\$400	\$225	\$625
1-1/2-inch	\$900	\$450	\$450	\$900
2-inch – Turbo	* \$1,450	\$550	\$900	\$1,450
2-inch – Compound	\$2,125	\$550	\$1,575	\$2,125
3-inch – Turbo	\$1,975	\$765	\$1,210	\$1,975
3-inch – Compound	\$2,750	\$795	\$1,955	\$2,750
4-inch – Turbo	\$3,175	\$1,055	\$2,120	\$3,175
4-inch – Compound	\$4,025	\$1,095	\$2,930	\$4,025
6-inch – Turbo	\$6,025	\$1,600	\$4,425	\$6,025
6-inch – Compound	\$7,850	\$1,730	\$6,120	\$7,850

* Note: In the prior rate case and its Decision No. 64665, this charge was omitted in the Ordering section, but was listed in the Finding of Fact section of the Decision.

Table C-2. Service Line and Meter Installation Charges

Meter Size (Other side of road/water main)	Co.'s Current Charges	Service Line Charges	Meter Installation Charges	Total Charges
5/8 x 3/4-inch	\$800	\$670	\$130	\$800
3/4-inch	\$875	\$695	\$180	\$875
1-inch	\$1,000	\$775	\$225	\$1,000
1-1/2-inch	\$1,425	\$975	\$450	\$1,425
2-inch – Turbo	\$2,350	\$1,450	\$900	\$2,350
2-inch – Compound	\$3,400	\$1,825	\$1,575	\$3,400
3-inch – Turbo	\$3,175	\$1,965	\$1,210	\$3,175
3-inch – Compound	\$4,375	\$2,420	\$1,955	\$4,375
4-inch – Turbo	\$5,100	\$2,980	\$2,120	\$5,100
4-inch – Compound	\$6,425	\$3,495	\$2,930	\$6,425
6-inch – Turbo	\$9,625	\$5,200	\$4,425	\$9,625
6-inch – Compound	\$12,550	\$6,430	\$6,120	\$12,550

2. Curtailment Tariff

The Company has an approved curtailment tariff that became effective on April 1, 2002.

3. Backflow Prevention Tariff

The Company has an approved backflow prevention tariff that became effective on November 27, 1996.

ORIGINAL

C-EX 66

Douglas C. Fitzpatrick
49 Bell Rock Plaza
Sedona, Arizona 86351
(928) 284-2190
Bar ID #005152
fitzlaw@sedona.net
Attorney for Montezuma
Rimrock Water Company, LLC

RECEIVED

2011 OCT 25 A 8:31

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

OCT 25 2011

DOCKETED BY

11/1

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE.

DOCKET NO. W-04254A-08-0361

DOCKET NO. W-04254A-08-0362

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION

SUPPLEMENTAL AND
AMENDED PROPOSED PLAN
FOR ARSENIC ABATEMENT

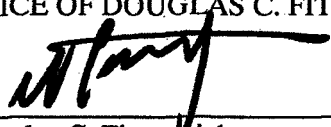
Montezuma Rimrock Water Company, LLC supplements and amends its Proposed Plan
for Arsenic Abatement dated October 10, 2011 as follows:

When the Company has a proposed lease from GEcom, it will docket the lease and
provide additional financial information which relates to the lease. It will not execute the lease
or move forward with construction of the treatment plant until the commission has signed off on
the proposed plan.

DATED this 25th day of October, 2011.

LAW OFFICE OF DOUGLAS C. FITZPATRICK

BY



Douglas C. Fitzpatrick
Attorney for applicant, Montezuma Rimrock
Water Company, LLC.

EXHIBIT

C-66
ADMITTED

1 ORIGINAL and 13 copies
2 of the foregoing hand-delivered
3 this 25th day of October, 2011,
4 to:
5 Arizona Corporation Commission
6 Docket Control
7 1200 West Washington Street
8 Phoenix, Arizona 85007
9
10 COPY of the foregoing
11 hand-delivered this 25th
12 day of October, 2011, to:
13 Darak R. Eaddy
14 Utilities Division
15 Arizona Corporation Commission
16 1200 West Washington Street
17 Phoenix, Arizona 85007
18
19 John Dougherty
20 PO Box 501
21 Rimrock, Arizona 86335
22
23 Patricia D. Olsen
24 Montezuma Rimrock Water
25 Company, LLC
26 PO Box 10
27 4615 E. Goldmine Road
28 Rimrock, Arizona 86335
29
30 Mrs. Janice M. Alward
31 Chief, Legal Division
32 Arizona Corporation Commission
33 Legal Division
34 1200 West Washington Street
35 Phoenix, Arizona 85007
36
37 Mr. Steven M. Olea
38 Director, Utilities Division
39 Arizona Corporation Commission
40 Legal Division
41 1200 West Washington Street
42 Phoenix, Arizona 85007
43
44

1 Ms. Lyn Farmer
2 Chief, Hearing Division
3 Arizona Corporation Commission
4 Legal Division
5 1200 West Washington Street
6 Phoenix, Arizona 85007

7 
8 _____
9 Douglas C. Fitzpatrick

10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
26
27
28

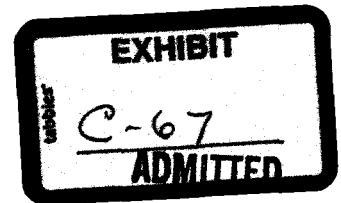
C-EX 67

Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

April 20, 2012

Patricia Olsen
Montezuma Rimrock Water Co.
4599 East Goldmine Road
Rimrock, AZ 86335



Subject: Project Estimated Completion Date

Dear Patricia,

Kevlor Design Group, LLC is working successfully with integrating all of the components needed for your water treatment system. We have received the pre-funding money and have already started the process of ordering the tanks and other parts.

Date of Completion

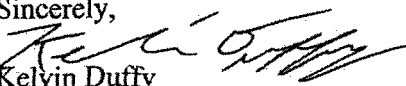
The tanks will deliver at your location no later than May 10, 2012 and will need to be put in the proper position on the plant floor. We will begin construction shortly following the tank installation and complete all on-site work by June 7, 2012.

Budgeting

I will keep you updated on the budget for this project, as we will reach a period of needing the remaining money allocated for this project.

If you have any questions, please contact me at (770) 653-5174.

Sincerely,


Kelvin Duffy
President

B: 4829 P: 739 08/22/2011 11:12:33 AM DOR
Ana Wayman-Trujillo
OFFICIAL RECORDS OF YAVAPAI COUNTY \$14.00
YAVAPAI TITLE AGENCY INC 2011-0043754

B: 4829 P: 739 08/22/2011 11:12:33 AM DOR
\$14.00 Page: 1 of 1 2011-0043754

[illegible]

FEE
\$5
\$8
\$5
\$1
6

WHEREAS, the indebtedness secured by the Deed of Trust EXECUTED by MONTEZUMA RIMROCK WATER CO., L.L.C., an Arizona limited liability company as Trustor(S).

TO YAVAPAI TITLE AGENCY, INC. An Arizona Corporation, as Trustee

dated October 19, 2005 and recorded November 16, 2005 in Book/Docket 4335 page 429 of Official Records in the office of the County Recorder of YAVAPAI County, State of Arizona, has been fully paid.

NOW, THEREFORE, the present Trustee (s) under said Deed of Trust do(es) hereby release and reconvey, without covenant or warranty, express or implied, unto the parties legally entitled thereto all right, title and interest which was heretofore acquired by said Trustee (s) under said Deed of Trust.

Dated this 9th Day of August, 2011.

YAVAPAI TITLE AGENCY INC.,
an Arizona Corporation

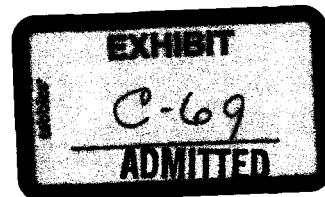
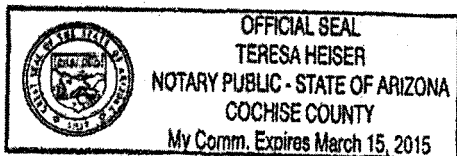
BY: Linda Miller, Vice President

[illegible]

This instrument was acknowledged before me this 15th day of August 2011 by Linda Miller as Vice President of YAVAPAI TITLE AGENCY INC., an Arizona Corporation, on behalf of the corporation, as Trustee.

Notary Public

My commission will expire:



ANDORRA TO STATE
IN 1967/1968

C-Ex 70

Ana Wayman-Trujillo, Recorder
OFFICIAL RECORDS OF YAVAPAI COUNTY
YAVAPAI TITLE AGENCY INC DOT

B-4335 P-429
11/16/2005 04:32P
14.00 3942665

FEE
\$
\$8
\$5
\$1
\$4

Recorded at the Request of
YAVAPAI TITLE AGENCY, INC.

When Recorded Mail To:
YTA Loan Servicing Dept.
P.O. Box 1900
Sierra Vista, Arizona 85636

09000956-EJ

B-4335 P-429
Page: 1 of 5
DOT 3942665

DEED OF TRUST AND ASSIGNMENT OF RENTS

October 19, 2005

TRUSTOR:

MONTEZUMA RIMROCK WATER CO., L.L.C., an Arizona limited liability company

Whose mailing address is p.o. box 10, RIMROCK, ARIZONA 86335

TRUSTEE:

YAVAPAI TITLE AGENCY, INC., an Arizona corporation

whose mailing address is P.O. Box 2019, Prescott, Arizona 86302

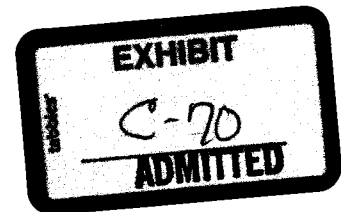
BENEFICIARY:

ANNA BARBARA BRUNNER, a single woman

whose mailing address is P.O. BOX 20351, SEDONA, ARIZONA 86341

Property situated in the County of Yavapai, State of Arizona, as described as follows:

See Exhibit A attached hereto and made a part hereof.



Together with all buildings, improvements and fixtures thereon or hereinafter erected thereon.

Street address if any, or identifiable location of this property:

VACANT LAND, LAKE MONTEZUMA, AZ 86342

THIS DEED OF TRUST, made on the above date by, between and among the TRUSTOR, TRUSTEE and BENEFICIARY above named.

WITNESSETH: That Trustor hereby irrevocably grants, conveys, transfers and assigns to the Trustee in Trust, with Power of Sale, the above described real property (the Trust Property), together with leases, issues, profits, or income therefrom (all of which are hereinafter called "property income"); SUBJECT, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income; AND SUBJECT TO:

FOR THE PURPOSE OF SECURING:

- Payment of the indebtedness in the principal sum of \$ 32,000.00 evidenced by a Promissory Note or Notes of even date herewith, and any extension or renewal thereof, executed by Trustor in favor of Beneficiary or order.
- Payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a Promissory Note or Notes reciting that they are secured by a Deed of Trust.
-
- Performance of each agreement of Trustor herein contained.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

2. To provide, maintain, and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses of Beneficiary and Trustee, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear or be named, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

4. To pay: before delinquent, all taxes and assessments affecting said property; when due, all encumbrances, charges, and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees, and expenses of this Trust, including, without limiting the generality of the foregoing, the fees of Trustee for issuance of any Deed of Partial Release and Partial Reconveyance or Deed of Release and full Reconveyance, and all lawful charges, costs, and expenses in the event of reinstatement of, following default in, this Deed of Trust or the obligations secured hereby.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel, and pay his reasonable fees.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, together with interest from date of expenditure at the same rate as is provided for in the note or notes secured by this Deed of Trust or at the legal rate if it secures a contract or contracts other than a promissory note or notes. Any amounts so paid by Beneficiary or Trustee shall become a part of the debt secured by this Deed of Trust and a lien on said premises or immediately due and payable at option of Beneficiary or Trustee.

IT IS MUTUALLY AGREED:

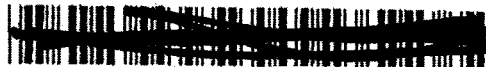
6. That any award of damages in connection with any condemnation or any such taking, or for injury to the property by reason of public use, or for damages for private trespass or injury thereto, is assigned and shall be paid to Beneficiary as further security for all obligations secured hereby (reserving unto the Trustor, however, the right to sue therefor and the ownership thereof subject to this Deed of Trust), and upon receipt of such moneys Beneficiary may hold the same as such further security, or apply or release the same in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

7. That time is of the essence of this Deed of Trust, and that by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

8. That at any time or from time to time, and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note(s) for endorsement, and without liability therefor, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, and without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by the Trustee's action be credited on the indebtedness, the Trustee may: (a) release and reconvey all or any part of said property; (b) consent to the making and recording, or either, of any map or plat of the property or any part thereof; (c) join in granting any easement thereon; (d) join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance, or charge hereof.

9. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note(s) to Trustee for cancellation, and upon payment of its fees, Trustee shall release and reconvey, without covenant or warranty, express or implied, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

10. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power, and authority, during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court,



11. That upon default by Trustor in the payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice thereof, setting forth the nature thereof, and of election to cause to be sold said property under this Deed of Trust. Beneficiary also shall deposit with Trustee this deed of Trust, said note(s), and all documents evidencing expenditures secured hereby.

Trustee shall record and give notice of Trustee's sale in the manner required by law, and after the lapse of such time as may then be required by law, subject to the statutory rights of reinstatement, the Trustee shall sell, in the manner required by law, said property at public auction at the time and place fixed by it in said notice of Trustee's sale to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to such purchaser its Deed conveying the property so sold, but without any covenant or warranty, expressed or implied. Any persons, including Trustor, Trustee, or Beneficiary, may purchase at such sale.

After deducting all costs, fees, and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale and reasonable attorney's fees, Trustee shall apply the proceeds of sale to payment of: All sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. 33-812. To the extent permitted by law, an action may be maintained by Beneficiary to recover a deficiency judgment for any balance due hereunder.

In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available him hereunder and at law or in equity. All rights and remedies shall be cumulative.

12. That Beneficiary may appoint a successor Trustee in the manner prescribed by law. A successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, rights, powers, and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor, by registered or certified mail, and by recordation of a Notice of Resignation of Trustee in the office of the County Recorder in each County in which trust property or some part thereof is situated.

13. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder of the note(s) secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

14. That Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

The undersigned Trustor requests that a copy of any notice of Trustee's sale hereunder be mailed to him at his address hereinbefore set forth.

MONTEZUMA RIMROCK WATER CO., L.L.C.,
 An Arizona Limited Liability Company

[Signature], MRLWC
 By: _____ Trustor
 As its: Manager

STATE OF ARIZONA

County of Yavapai



This instrument was acknowledged before me this 7th day
 of Nov, 2005 by
Patricia D. Arias, as its
Managing Member of MONTEZUMA RIMROCK WATER
 CO., L.L.C., an Arizona Limited Liability Company

[Signature]



ACCEPTED AND APPROVED

Beneficiary

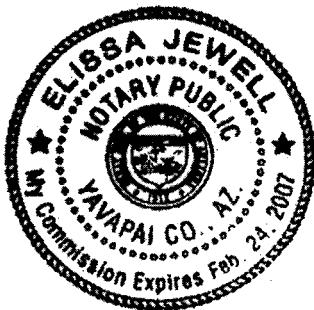
Anna Barbara Brunner
ANNA BARBARA BRUNNER

Beneficiary

STATE OF ARIZONA

County of Yavapai

} ss



This instrument was acknowledged before
me this 27 day of October, 2005 by
ANNA BARBARA BRUNNER

[Signature]

(Notary Public)

My commission expires: Feb 24, 2007



Exhibit A

Lot 500, LAKE MONTEZUMA ESTATES, UNIT TWO, according to the plat of record in Book 13 of Maps, page 30, records of Yavapai County, Arizona.

EXCEPT all minerals, ores and metals of every kind and character, and all coal, asphaltum, oil, gases, fertilizers, fossils and other like substances in or under said land as reserved in Patent from the United States of America.

STATE OF ARIZONA
 County of Yavapai

BEFORE ME, the undersigned authority, on this day personally appeared _____, known to me to be the person whose name is subscribed to the foregoing instrument, and acknowledged to me that he executed the same for the purposes and consideration therein expressed.

Given under my hand and seal of office this _____ day of _____, 20____.



AFFIDAVIT OF PROPERTY VALUE

EXHIBIT

C-71
ADMITTED

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(s)

Primary Parcel: 405-26-517
BOOK MAP PARCEL SPLIT LETTER

Does this sale include any parcels that are being split / divided?

Check one: Yes ☐ No ☒

How many parcels, other than the Primary Parcel, are included in this sale? _____

Please list the additional parcels below (no more than four):

(1) _____ (3) _____
(2) _____ (4) _____

2. SELLER'S NAME AND ADDRESS

ANNA BARBARA BRUNNER
P.O. Box 20351
Sedona, AZ 86341

3. (a) BUYER'S NAME AND ADDRESS:

MONTEZUMA RIMROCK WATER CO., L.L.C.
P.O. Box 10
Rimrock, AZ 86335

(b) Are the Buyer and Seller related? Yes _____ No ☒
If Yes, state relationship: _____

4. ADDRESS OF PROPERTY:

VACANT LAND, LAKE MONTEZUMA, AZ 86342

5. MAIL TAX BILL TO:

MONTEZUMA RIMROCK WATER CO., L.L.C.
VACANT LAND
LAKE MONTEZUMA, AZ 86342

6. PROPERTY TYPE (for Primary Parcel): NOTE: Check Only One Box

- a. ☒ Vacant Land f. ☐ Commercial or Industrial Use
b. ☐ Single Family Residence g. ☐ Agriculture
c. ☐ Condo or Townhouse h. ☐ Mobile or Manufactured Home
d. ☐ 2-4 Plex i. ☐ Other Use; Specify: _____
e. ☐ Apartment Building

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d or h in item 6 above, please check one of the following:

- ☐ To be occupied by owner or "family member." ☐ To be rented to someone other than family member.

See reverse side for definition of a "family member."

8. NUMBER OF UNITS:

For Apartment Properties, Motels, Hotels, Mobile Home Parks, RV Parks, Mini-Storage Properties

9. FOR OFFICIAL USE ONLY: Buyer and Seller leave blank

(a) County of Recordation: 13
(b) Docket & Page Number: 4335-428
(c) Date of Recording: 11-16-05
(d) Fee/Recording Number: 3942663

Validation Codes:

(e) ASSESSOR _____ (f) DOR _____

ASSESSOR'S USE ONLY

Verify Primary Parcel in Item 1: _____

Use Code: _____ Full Cash Value: \$ _____

10. TYPE OF DEED OR INSTRUMENT (Check Only One Box):

- a. ☒ Warranty Deed d. ☐ Contract or Agreement
b. ☐ Special Warranty Deed e. ☐ Quit Claim Deed
c. ☐ Joint Tenancy Deed f. ☐ Other: _____

11. SALE PRICE: \$ 35,000.00

12. DATE OF SALE (Numeric Digits): 10 / 2005
Month Year

(For example: 03 / 05 for March 2005)

13. DOWN PAYMENT: \$ 3,000.00

14. METHOD OF FINANCING:

- a. ☐ Cash (100% of Sale Price) (1) ☐ Conventional
b. ☐ Exchange or Trade (2) ☐ VA
c. ☐ Assumption of existing loans (3) ☐ FHA
d. ☒ Seller Loan (Carryback) f. ☐ Other financing; Specify: _____

15. PERSONAL PROPERTY (see reverse side for definition):

(a) Did the Sale Price in Item #11 include Personal Property that impacted the Sale Price by 5% or more? Yes _____ No ☒

(b) If Yes, provide the dollar amount of the Personal Property:

\$ 00 AND

briefly describe the Personal Property: _____

16. PARTIAL INTEREST: If only a partial ownership interest is being sold, Briefly describe the partial interest: _____

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone):

YAVAPAI TITLE AGENCY, INC.
527 S. Main St., Camp Verde, AZ 86322
Phone (928) 587-0590

18. LEGAL DESCRIPTION (attach copy if necessary)
See Exhibit A attached hereto and made a part hereof.

THE UNDERSIGNED BEING DULY SWORN, ON OATH SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Anna Barbara Brunner
Signature of Seller/Agent

State of Arizona, County of Yavapai

Subscribed and sworn to before me this 16 day of Nov, 2005

Notary Public [Signature]

Notary Expiration Date Feb 24, 2007

[Signature]
Signature of Buyer/Agent

State of Arizona, County of Yavapai

Subscribed and sworn to before me this 16 day of Nov, 2005

Notary Public [Signature]

Notary Expiration Date Feb 24, 2007



Exhibit A

Lot 500, LAKE MONTEZUMA ESTATES, UNIT TWO, according to the plat of record in Book 13 of Maps, page 30, records of Yavapai County, Arizona.

EXCEPT all minerals, ores and metals of every kind and character, and all coal, asphaltum, oil, gases, fertilizers, fossils and other like substances in or under said land as reserved in Patent from the United States of America.

National Bank of Arizona

ACCOUNT # [REDACTED]

This Statement:
August 31, 2011
Page 5 of 5

DEPOSIT TICKET
MONTEZUMA RIMROCK WATER CO LLC
HOOK UP ACCOUNT
P O BOX 10 PH 928-582-9211
RIMROCK, AZ 86335

DATE 8-1-11

CHECKS OR TOTAL FROM OTHER SIDE 128.00

SUB TOTAL 128.00

LESS CASH 0.00

DEPOSIT \$ 256.00

National Bank of Arizona

Processed 08/01/11 \$256.00

DEPOSIT TICKET
MONTEZUMA RIMROCK WATER CO LLC
HOOK UP ACCOUNT
P O BOX 10 PH 928-582-9211
RIMROCK, AZ 86335

DATE 8-5-11

CHECKS OR TOTAL FROM OTHER SIDE 128.00

SUB TOTAL 128.00

LESS CASH 0.00

DEPOSIT \$ 216.00

National Bank of Arizona

Processed 08/08/11 \$216.00

DEPOSIT TICKET
MONTEZUMA RIMROCK WATER CO LLC
HOOK UP ACCOUNT
P O BOX 10 PH 928-582-9211
RIMROCK, AZ 86335

DATE 8-18-11

CHECKS OR TOTAL FROM OTHER SIDE 2628.00

SUB TOTAL 2628.00

LESS CASH 0.00

DEPOSIT \$ 2628.00

National Bank of Arizona

Processed 08/19/11 \$2628.00

DEPOSIT TICKET
MONTEZUMA RIMROCK WATER CO LLC
HOOK UP ACCOUNT
P O BOX 10 PH 928-582-9211
RIMROCK, AZ 86335

DATE 8-23-11

CHECKS OR TOTAL FROM OTHER SIDE 3255.00

SUB TOTAL 3255.00

LESS CASH 0.00

DEPOSIT \$ 3255.00

National Bank of Arizona

Processed 08/23/11 \$3255.00

DEPOSIT TICKET
MONTEZUMA RIMROCK WATER CO LLC
HOOK UP ACCOUNT
P O BOX 10 PH 928-582-9211
RIMROCK, AZ 86335

DATE 8-26-11

CHECKS OR TOTAL FROM OTHER SIDE 2581.70

SUB TOTAL 2581.70

LESS CASH 0.00

DEPOSIT \$ 2581.70

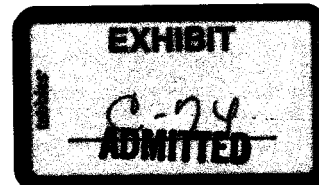
National Bank of Arizona

Pay to the Order of Arnold Davis

Two thousand five hundred eighty one and 70/100

Hydro-Tek

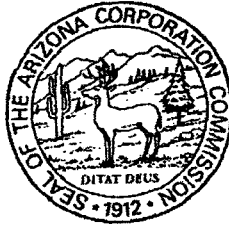
Processed 08/29/11 \$2581.70 Ch# 2020



ORIGINAL

C - EX75
NEW APPLICATION

ARIZONA CORPORATION COMMISSION



Arizona Corporation Commission
DOCKETED

MAY 31 2012

DOCKETED BY me

W-04254A-12-0204

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

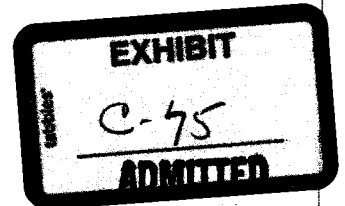
2012 MAY 31 PM 1:24

RECEIVED

FINANCING APPLICATION

Montezuma Rimrock Water Company LLC
UTILITY NAME

DOCKET NO(S)



You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

Application for financing approval pursuant to ARS 40-301 and 40-302 information:

1. Montezuma Rimrock Water Company LLC

Patricia D. Olsen, Manager

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

2. Statutory Agent:

Patricia D. Olsen

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

3. Promissory Note

Rask Construction

Proposal submittal: \$68,592.00

Waterline construction connecting well site #1 and well site #4

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The waterline is necessary for the backwashing of the Arsenic Treatment Facility and for the fire protection of the community.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 101961	\$
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 101961	\$ 101276
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14802	\$
610	Purchased Water	994	686
615	Purchased Power	6600	6064
618	Chemicals	610	711
620	Repairs and Maintenance	19490	8047
621	Office Supplies and Expense	9620	13160
630	Outside Services	7132	15890
635	Water Testing	2675	1000
641	Rents	5800	7983
650	Transportation Expenses	9279	9352
657	Insurance – General Liability	5897	4948
659	Insurance - Health and Life	3902	1597
666	Regulatory Commission Expense – Rate Case	1870	886
675	Miscellaneous Expense	2675	2477
403	Depreciation Expense	10935	7367
408	Taxes Other Than Income	9020	10291
408.11	Property Taxes	3484	3098
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 114785	\$ 93537
	OPERATING INCOME/(LOSS)	\$ <12824>	\$ 7739
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<292>	
427	Interest Expense	<2244>	<2773>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <2536>	\$ <2773>
	NET INCOME/(LOSS)	\$ <15360>	\$ 4946

BALANCE SHEET

Acct No.	ASSETS	BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 1514	\$ 1894
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	377	377
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1891	\$ 2271
	FIXED ASSETS		
101	Utility Plant in Service	\$ 529342	\$ 547477
103	Property Held for Future Use		
105	Construction Work in Progress		155
108	Accumulated Depreciation – Utility Plant	<220868>	<234721>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to Total Liabilities and Capital on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 2000	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	26855	32163
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 27055	\$ 32163
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 28611	\$ 17728
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	28575	30986
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	252556	257742
272	Less: Amortization of Contributions	<73388>	<36891>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 207743	\$ 251837
	TOTAL LIABILITIES	\$ 263209	\$ 301726
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	4712	11901
218	Proprietary Capital (Sole Props and Partnerships)	40444	1555
	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

PROPOSAL

RASK CONSTRUCTION GENERAL CONSTRUCTION

Company No. [REDACTED]
[REDACTED]
Fax [REDACTED]

No.	7
Date	4-12-12
Sheet No.	1

Proposal Submitted To:

Name Montezuma-Rimrock water co.
Street East Gold mine and towers Dr.
City Rimrock
State Az.
Phone 300-3291

Work To Be Performed At:

Street From Tieman to Bently and Towers.
City Rimrock State Az.
Date of Plans Revised 2-10
Architect EHS

We hereby propose to furnish the materials and perform the labor necessary for the completion of

Items:

- #2 Provide the necessary equipment & labor to install the
Water line from the well on tieman to well #1 on towers.
Pressure test & sanitize the new line.
#3 Connecting of the transfer line by others.

All material is guaranteed to be as specified, and the above work to be performed in accordance with the drawings and specifications submitted for above work and completed in a substantial workmanlike manner for the sum of Dollars (\$68,592.00).

with payments to be made as follows: Progress draws.

Rcvd. \$7,000.00

Balance \$61,592.00

Any alteration or deviation from above specifications involving extra costs, will be executed only upon written orders, and will become an extra charge over and above the estimate. All agreements contingent upon strikes, accidents or delays beyond our control. Owner to carry fire, tornado and other necessary insurance upon above work. Workmen's Compensation and Public Liability Insurance on above work to be taken out by

Respectfully submitted

RASK CONST.

Per NORM RASK

Note—This proposal may be withdrawn by us if not accepted within 10 days.

ACCEPTANCE OF PROPOSAL

The above prices, specifications and conditions are satisfactory and are hereby accepted. You are authorized to do the work as specified. Payment will be made as outlined above.

Date

4/20/12

Signature

Signature

LOAN AGREEMENT

\$68,592

DATE: April 20, 2012

For value received, the undersigned Montezuma Rimrock Water Company LLC (the "Borrower"), at Rimrock Arizona, promises to pay to the order of Rask Construction, (the "Lender"), P.O. Box 387, Camp Verde, AZ 86322, (or at such other place as the Lender may designate in writing) the sum of \$68,592 with interest from May 1, 2012, on the unpaid principal at the rate of 6% per annum.

I. TERMS OF REPAYMENT

A. Payments

The unpaid principal and accrued interest shall be payable in monthly installment of \$1,326.08, beginning on April 20, 2012, and continuing until April 20, 2017, (the "due Date"), at which time the remaining unpaid principal and interest shall be due in full.

B. Application of Payments

All payments on this Note shall be applied first in payment of accrued interest and any remainder in payment of principal.

C. Late Fee

The Borrower promises to pay a late charge of \$5.00 for each installment that remains unpaid more than 15 day(s) after its Due Date. This late charge shall be paid as liquidated damages in lieu of actual damages, and not as a penalty.

D. Acceleration of Debt

If any payment obligation under this Note is not paid when due, the remaining unpaid principal balance and any accrued interest shall become due immediately at the option of the Lender.

II. PREPAYMENT

The Borrower reserves the right to prepay this Note (in whole or in part) prior to the Due Date with no prepayment penalty.

III. COLLECTION COSTS

If any payment obligation under this Note is not paid when due, the Borrower promises to pay all costs of collection, including reasonable attorney fees, whether or not a lawsuit is commenced as part of the collection process.

IV. DEFAULT

If any of the following events of default occur, this Note and any other obligations of the Borrower to the Lender, shall become due immediately, without demand or notice:

- 1) the failure of the Borrower to pay the principal and any accrued interest in full on or before the Due Date;
- 2) the death of the Borrower or Lender;
- 3) the filing of bankruptcy proceedings involving the Borrower as a debtor;
- 4) the application for the appointment of a receiver of the Borrower;
- 5) the making of a general assignment for the benefit of the Borrower's creditors;
- 6) the insolvency of the Borrower;
- 7) a misrepresentation by the Borrower to the Lender for the purpose of obtaining or extending credit.

V. SEVERABILITY OF PROVISIONS

If any one or more of the provisions of this Note are determined to be unenforceable in whole or in part, for any reason, the remaining provisions shall remain fully operative.

VI. MISCELLANEOUS

All payments of principal and interest on this Note shall be paid in the legal currency of the United States. The Borrower waives presentment for payment, protest, and notice of protest and nonpayment of this Note.

No renewal or extension of this Note, delay in enforcing any right of the Lender under this Note, or assignment by Lender of this Note shall affect the liability or the obligations of the Borrower. All rights of the Lender under this Note are cumulative and may be exercised concurrently or consecutively at the Lender's option.

VII. GOVERNING LAW

This Note shall be construed in accordance with the laws of the State of Arizona

IN WITNESS WHEREOF, this Agreement has been executed and delivered in the manner prescribed by law as of the date first written above.

Signed this 20th day of April, 2012.

Borrower:

Montezuma Rimrock Water Company LLC

Loan Amortization Schedule

Enter values	
Loan amount \$	68,592.00
Annual interest rate	6.00 %
Loan period in years	5
Number of payments per year	12
Start date of loan	4/20/2012
Optional extra payments	

Loan summary	
Scheduled payment	\$ 1,326.08
Scheduled number of payments	60
Actual number of payments	60
Total early payments	0
Total interest	10,972.65

Lender name: Risk Construction

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	5/20/2012	\$ 68,592.00	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 983.12	\$ 342.96	\$ 67,608.88	\$ 342.96
2	6/20/2012	\$ 67,608.88	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 984.03	\$ 342.05	\$ 66,624.85	\$ 685.01
3	7/20/2012	\$ 66,624.85	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 984.97	\$ 341.10	\$ 65,639.88	\$ 1,026.11
4	8/20/2012	\$ 65,639.88	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 985.94	\$ 340.14	\$ 64,653.95	\$ 1,366.25
5	9/20/2012	\$ 64,653.95	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 986.94	\$ 339.15	\$ 63,666.99	\$ 1,705.40
6	10/20/2012	\$ 63,666.99	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 987.94	\$ 338.14	\$ 62,678.99	\$ 2,043.54
7	11/20/2012	\$ 62,678.99	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 988.95	\$ 337.10	\$ 61,689.99	\$ 2,380.64
8	12/20/2012	\$ 61,689.99	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 989.97	\$ 336.04	\$ 60,699.99	\$ 2,716.66
9	1/20/2013	\$ 60,699.99	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 991.00	\$ 334.97	\$ 59,708.99	\$ 3,051.62
10	2/20/2013	\$ 59,708.99	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 992.04	\$ 333.88	\$ 58,716.95	\$ 3,385.50
11	3/20/2013	\$ 58,716.95	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 993.09	\$ 332.79	\$ 57,723.86	\$ 3,718.29
12	4/20/2013	\$ 57,723.86	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 994.15	\$ 331.68	\$ 56,729.71	\$ 4,049.97
13	5/20/2013	\$ 56,729.71	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 995.22	\$ 330.56	\$ 55,734.49	\$ 4,380.53
14	6/20/2013	\$ 55,734.49	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 996.30	\$ 329.43	\$ 54,738.19	\$ 4,709.96
15	7/20/2013	\$ 54,738.19	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 997.38	\$ 328.29	\$ 53,740.81	\$ 5,038.25
16	8/20/2013	\$ 53,740.81	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 998.47	\$ 327.14	\$ 52,742.34	\$ 5,365.39
17	9/20/2013	\$ 52,742.34	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 999.56	\$ 325.98	\$ 51,742.78	\$ 5,691.37
18	10/20/2013	\$ 51,742.78	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,000.66	\$ 324.81	\$ 50,742.12	\$ 6,016.18
19	11/20/2013	\$ 50,742.12	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,001.76	\$ 323.63	\$ 49,740.36	\$ 6,339.81
20	12/20/2013	\$ 49,740.36	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,002.87	\$ 322.44	\$ 48,737.49	\$ 6,662.25
21	1/20/2014	\$ 48,737.49	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,003.98	\$ 321.24	\$ 47,733.51	\$ 6,983.49
22	2/20/2014	\$ 47,733.51	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,005.09	\$ 320.03	\$ 46,728.42	\$ 7,303.52
23	3/20/2014	\$ 46,728.42	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,006.20	\$ 318.81	\$ 45,722.22	\$ 7,622.33
24	4/20/2014	\$ 45,722.22	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,007.31	\$ 317.58	\$ 44,714.91	\$ 7,939.91
25	5/20/2014	\$ 44,714.91	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,008.42	\$ 316.34	\$ 43,706.49	\$ 8,256.25
26	6/20/2014	\$ 43,706.49	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,009.53	\$ 315.09	\$ 42,696.96	\$ 8,571.34
27	7/20/2014	\$ 42,696.96	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,010.64	\$ 313.83	\$ 41,686.32	\$ 8,885.17
28	8/20/2014	\$ 41,686.32	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,011.75	\$ 312.56	\$ 40,674.57	\$ 9,197.73
29	9/20/2014	\$ 40,674.57	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,012.86	\$ 311.28	\$ 39,661.71	\$ 9,509.01
30	10/20/2014	\$ 39,661.71	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,013.97	\$ 309.99	\$ 38,647.74	\$ 9,819.00
31	11/20/2014	\$ 38,647.74	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,015.08	\$ 308.69	\$ 37,632.66	\$ 10,127.69
32	12/20/2014	\$ 37,632.66	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,016.19	\$ 307.38	\$ 36,616.47	\$ 10,435.07
33	1/20/2015	\$ 36,616.47	\$ 1,326.08	\$ -	\$ 1,326.08	\$ 1,017.30	\$ 306.06	\$ 35,599.17	\$ 10,741.13

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	1/20/2015	30,113.48	1,326.19	-	1,326.19	1,034.89	167.07	29,253.48	167.07
2	1/20/2015	29,253.48	1,326.19	-	1,326.19	1,034.89	167.07	28,406.99	334.14
3	1/20/2015	28,406.99	1,326.19	-	1,326.19	1,034.89	167.07	27,561.39	501.21
4	1/20/2015	27,561.39	1,326.19	-	1,326.19	1,034.89	167.07	26,715.79	668.28
5	1/20/2015	26,715.79	1,326.19	-	1,326.19	1,034.89	167.07	25,870.19	835.35
6	1/20/2015	25,870.19	1,326.19	-	1,326.19	1,034.89	167.07	25,024.59	1,002.42
7	1/20/2015	25,024.59	1,326.19	-	1,326.19	1,034.89	167.07	24,178.99	1,169.49
8	1/20/2015	24,178.99	1,326.19	-	1,326.19	1,034.89	167.07	23,333.39	1,336.56
9	1/20/2015	23,333.39	1,326.19	-	1,326.19	1,034.89	167.07	22,487.79	1,503.63
10	1/20/2015	22,487.79	1,326.19	-	1,326.19	1,034.89	167.07	21,642.19	1,670.70
11	1/20/2015	21,642.19	1,326.19	-	1,326.19	1,034.89	167.07	20,796.59	1,837.77
12	1/20/2015	20,796.59	1,326.19	-	1,326.19	1,034.89	167.07	19,950.99	2,004.84
13	1/20/2015	19,950.99	1,326.19	-	1,326.19	1,034.89	167.07	19,105.39	2,171.91
14	1/20/2015	19,105.39	1,326.19	-	1,326.19	1,034.89	167.07	18,259.79	2,338.98
15	1/20/2015	18,259.79	1,326.19	-	1,326.19	1,034.89	167.07	17,414.19	2,506.05
16	1/20/2015	17,414.19	1,326.19	-	1,326.19	1,034.89	167.07	16,568.59	2,673.12
17	1/20/2015	16,568.59	1,326.19	-	1,326.19	1,034.89	167.07	15,722.99	2,840.19
18	1/20/2015	15,722.99	1,326.19	-	1,326.19	1,034.89	167.07	14,877.39	3,007.26
19	1/20/2015	14,877.39	1,326.19	-	1,326.19	1,034.89	167.07	14,031.79	3,174.33
20	1/20/2015	14,031.79	1,326.19	-	1,326.19	1,034.89	167.07	13,186.19	3,341.40
21	1/20/2015	13,186.19	1,326.19	-	1,326.19	1,034.89	167.07	12,340.59	3,508.47
22	1/20/2015	12,340.59	1,326.19	-	1,326.19	1,034.89	167.07	11,494.99	3,675.54
23	1/20/2015	11,494.99	1,326.19	-	1,326.19	1,034.89	167.07	10,649.39	3,842.61
24	1/20/2015	10,649.39	1,326.19	-	1,326.19	1,034.89	167.07	9,803.79	4,009.68
25	1/20/2015	9,803.79	1,326.19	-	1,326.19	1,034.89	167.07	8,958.19	4,176.75
26	1/20/2015	8,958.19	1,326.19	-	1,326.19	1,034.89	167.07	8,112.59	4,343.82
27	1/20/2015	8,112.59	1,326.19	-	1,326.19	1,034.89	167.07	7,266.99	4,510.89
28	1/20/2015	7,266.99	1,326.19	-	1,326.19	1,034.89	167.07	6,421.39	4,677.96
29	1/20/2015	6,421.39	1,326.19	-	1,326.19	1,034.89	167.07	5,575.79	4,845.03
30	1/20/2015	5,575.79	1,326.19	-	1,326.19	1,034.89	167.07	4,730.19	5,012.10
31	1/20/2015	4,730.19	1,326.19	-	1,326.19	1,034.89	167.07	3,884.59	5,179.17
32	1/20/2015	3,884.59	1,326.19	-	1,326.19	1,034.89	167.07	3,038.99	5,346.24
33	1/20/2015	3,038.99	1,326.19	-	1,326.19	1,034.89	167.07	2,193.39	5,513.31
34	1/20/2015	2,193.39	1,326.19	-	1,326.19	1,034.89	167.07	1,347.79	5,680.38
35	1/20/2015	1,347.79	1,326.19	-	1,326.19	1,034.89	167.07	502.19	5,847.45
36	1/20/2015	502.19	1,326.19	-	1,326.19	1,034.89	167.07	-353.41	6,014.52
37	1/20/2015	-353.41	1,326.19	-	1,326.19	1,034.89	167.07	-1,079.81	6,181.59
38	1/20/2015	-1,079.81	1,326.19	-	1,326.19	1,034.89	167.07	-1,606.21	6,348.66
39	1/20/2015	-1,606.21	1,326.19	-	1,326.19	1,034.89	167.07	-2,132.61	6,515.73
40	1/20/2015	-2,132.61	1,326.19	-	1,326.19	1,034.89	167.07	-2,659.01	6,682.80
41	1/20/2015	-2,659.01	1,326.19	-	1,326.19	1,034.89	167.07	-3,185.41	6,849.87
42	1/20/2015	-3,185.41	1,326.19	-	1,326.19	1,034.89	167.07	-3,711.81	7,016.94
43	1/20/2015	-3,711.81	1,326.19	-	1,326.19	1,034.89	167.07	-4,238.21	7,184.01
44	1/20/2015	-4,238.21	1,326.19	-	1,326.19	1,034.89	167.07	-4,764.61	7,351.08
45	1/20/2015	-4,764.61	1,326.19	-	1,326.19	1,034.89	167.07	-5,291.01	7,518.15
46	1/20/2015	-5,291.01	1,326.19	-	1,326.19	1,034.89	167.07	-5,817.41	7,685.22
47	1/20/2015	-5,817.41	1,326.19	-	1,326.19	1,034.89	167.07	-6,343.81	7,852.29
48	1/20/2015	-6,343.81	1,326.19	-	1,326.19	1,034.89	167.07	-6,870.21	8,019.36
49	1/20/2015	-6,870.21	1,326.19	-	1,326.19	1,034.89	167.07	-7,396.61	8,186.43
50	1/20/2015	-7,396.61	1,326.19	-	1,326.19	1,034.89	167.07	-7,923.01	8,353.50
51	1/20/2015	-7,923.01	1,326.19	-	1,326.19	1,034.89	167.07	-8,449.41	8,520.57
52	1/20/2015	-8,449.41	1,326.19	-	1,326.19	1,034.89	167.07	-8,975.81	8,687.64
53	1/20/2015	-8,975.81	1,326.19	-	1,326.19	1,034.89	167.07	-9,502.21	8,854.71
54	1/20/2015	-9,502.21	1,326.19	-	1,326.19	1,034.89	167.07	-10,028.61	9,021.78
55	1/20/2015	-10,028.61	1,326.19	-	1,326.19	1,034.89	167.07	-10,555.01	9,188.85
56	1/20/2015	-10,555.01	1,326.19	-	1,326.19	1,034.89	167.07	-11,081.41	9,355.92
57	1/20/2015	-11,081.41	1,326.19	-	1,326.19	1,034.89	167.07	-11,607.81	9,523.00
58	1/20/2015	-11,607.81	1,326.19	-	1,326.19	1,034.89	167.07	-12,134.21	9,690.07
59	1/20/2015	-12,134.21	1,326.19	-	1,326.19	1,034.89	167.07	-12,660.61	9,857.14
60	1/20/2015	-12,660.61	1,326.19	-	1,326.19	1,034.89	167.07	-13,187.01	10,024.21

ARIZONA CORPORATION COMMISSION

CERTIFICATE OF PUBLIC NOTICE

APPLICANT'S NAME: Patricia D. Olsen

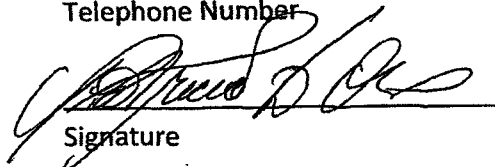
BUSINESS NAME: Montezuma Rimrock Water Company LLC

On May 31, 2011, I mailed a copy of the attached Public Notices: Application for a Rate Case, and Application for an Order for Financing. A copy of each of the attached notices was mailed to each customer along with their billing statement.

May 31, 2012
(Date)

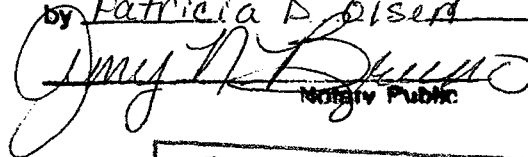
Patricia D. Olsen, Manager
Name and Title

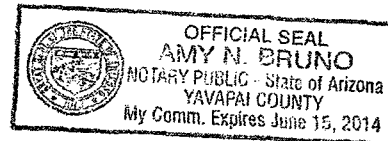
(928) 592-9211
Telephone Number


Signature

STATE OF ARIZONA
COUNTY OF YAVAPAI

The foregoing instrument was acknowledged
before me this 31st day of May, 2012
by Patricia D. Olsen


Notary Public



PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER

AUTHORIZING THE ISSUANCE OF Promissory Note (security)
BY Montezuma Rimrock Water Company LLC (company)

Montezuma Rimrock Water Co ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$ 68,592.00 (gross proceeds) of Promissory Note (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Rimrock, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

ORIGINAL

C - EX 76
NEW APPLICATION

ARIZONA CORPORATION COMMISSION



RECEIVED
2012 MAY 31 PM 1:25
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

Arizona Corporation Commission
DOCKETED

MAY 31 2012

DOCKETED BY

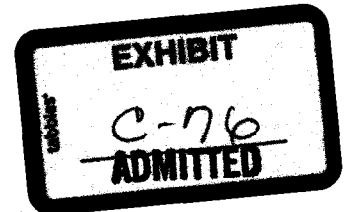
ne

FINANCING APPLICATION

W-04254A-12-0205

Montezuma Rimrock Water Company LLC
UTILITY NAME

DOCKET NO(S)



You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

Application for financing approval pursuant to ARS 40-301 and 40-302 information:

1. Montezuma Rimrock Water Company LLC

Patricia D. Olsen, Manager

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

2. Statutory Agent:

Patricia D. Olsen

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

3. Promissory Note

Patricia Olsen

Proposal submittal: \$21,000.00

Purchase of assets for water company.

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The monies are used to purchase the well #4 site and the purchase of the company vehicle.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 101961	\$
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 101961	\$ 101276
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14802	\$
610	Purchased Water	994	686
615	Purchased Power	6600	6064
618	Chemicals	610	711
620	Repairs and Maintenance	19490	8047
621	Office Supplies and Expense	9620	13160
630	Outside Services	7132	15890
635	Water Testing	2675	1000
641	Rents	5800	7983
650	Transportation Expenses	9279	9352
657	Insurance – General Liability	5897	4948
659	Insurance - Health and Life	3902	1597
666	Regulatory Commission Expense – Rate Case	1870	886
675	Miscellaneous Expense	2675	2477
403	Depreciation Expense	10935	7367
408	Taxes Other Than Income	9020	10291
408.11	Property Taxes	3484	3098
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 114785	\$ 93537
	OPERATING INCOME/(LOSS)	\$ <12824>	\$ 7739
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<292>	
427	Interest Expense	<2244>	<2773>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <2536>	\$ <2773>
	NET INCOME/(LOSS)	\$ <15360>	\$ 4946

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 1514	\$ 1894
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	377	377
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1891	\$ 2271
	FIXED ASSETS		
101	Utility Plant in Service	\$ 529342	\$ 547477
103	Property Held for Future Use		
105	Construction Work in Progress		155
108	Accumulated Depreciation – Utility Plant	<220868>	<234721>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 2000	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	26855	32163
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 27055	\$ 32163
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 28611	\$ 17728
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	28575	30986
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	252556	257742
272	Less: Amortization of Contributions	<73388>	<36891>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 207743	\$ 251837
	TOTAL LIABILITIES	\$ 263209	\$ 301726
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	4712	11901
218	Proprietary Capital (Sole Props and Partnerships)	40444	1555
	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

LOAN AGREEMENT

\$21,377.00

DATE: August 30, 2011

For value received, the undersigned Montezuma Rimrock Water Company LLC (the "Borrower"), at Rimrock Arizona, promises to pay to the order of Patricia Olsen, (the "Lender"), P.O. Box 10, Rimrock, AZ 86335, (or at such other place as the Lender may designate in writing) the sum of \$21,377.00 with interest from August 30, 2011, on the unpaid principal at the rate of 6% per annum.

I. TERMS OF REPAYMENT

A. Payments

The unpaid principal and accrued interest shall be payable in monthly installment of \$413.28, beginning on August 30, 2011, and continuing until April 30, 2016, (the "due Date"), at which time the remaining unpaid principal and interest shall be due in full.

B. Application of Payments

All payments on this Note shall be applied first in payment of accrued interest and any remainder in payment of principal.

C. Late Fee

The Borrower promises to pay a late charge of \$5.00 for each installment that remains unpaid more than 15 day(s) after its Due Date. This late charge shall be paid as liquidated damages in lieu of actual damages, and not as a penalty.

D. Acceleration of Debt

If any payment obligation under this Note is not paid when due, the remaining unpaid principal balance and any accrued interest shall become due immediately at the option of the Lender.

II. PREPAYMENT

The Borrower reserves the right to prepay this Note (in whole or in part) prior to the Due Date with no prepayment penalty.

III. COLLECTION COSTS

If any payment obligation under this Note is not paid when due, the Borrower promises to pay all costs of collection, including reasonable attorney fees, whether or not a lawsuit is commenced as part of the collection process.

IV. DEFAULT

If any of the following events of default occur, this Note and any other obligations of the Borrower to the Lender, shall become due immediately, without demand or notice:

- 1) the failure of the Borrower to pay the principal and any accrued interest in full on or before the Due Date;
- 2) the death of the Borrower or Lender;
- 3) the filing of bankruptcy proceedings involving the Borrower as a debtor;
- 4) the application for the appointment of a receiver of the Borrower;
- 5) the making of a general assignment for the benefit of the Borrower's creditors;
- 6) the insolvency of the Borrower;
- 7) a misrepresentation by the Borrower to the Lender for the purpose of obtaining or extending credit.

V. SEVERABILITY OF PROVISIONS

If any one or more of the provisions of this Note are determined to be unenforceable in whole or in part, for any reason, the remaining provisions shall remain fully operative.

VI. MISCELLANEOUS

All payments of principal and interest on this Note shall be paid in the legal currency of the United States. The Borrower waives presentment for payment, protest, and notice of protest and nonpayment of this Note.

No renewal or extension of this Note, delay in enforcing any right of the Lender under this Note, or assignment by Lender of this Note shall affect the liability or the obligations of the Borrower. All rights of the Lender under this Note are cumulative and may be exercised concurrently or consecutively at the Lender's option.

VII. GOVERNING LAW

This Note shall be construed in accordance with the laws of the State of Arizona

IN WITNESS WHEREOF, this Agreement has been executed and delivered in the manner prescribed by law as of the date first written above.

Signed this 30th day of August 2011 at 4615 E. Gohline Rd

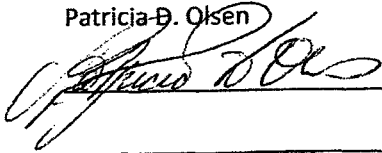
Borrower:

Montezuma Rimrock Water Company LLC

BY: 

Lender:

Patricia D. Olsen



Loan Amortization Schedule

Enter values	
Loan amount	\$ 21,377.00
Annual interest rate	6.00 %
Loan period in years	5
Number of payments per year	12
Start date of loan	8/30/2011
Optional extra payments	

Lender name: Patricia Olsen

Loan summary	
Scheduled payment	\$ 413.28
Scheduled number of payments	60
Actual number of payments	60
Total early payments	\$
Total interest	\$ 3,450.62

Pmt. No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	9/30/2011	\$ 21,377.00	\$ 413.28	\$ -	\$ 413.28	\$ 306.39	\$ 106.89	\$ 21,070.61	\$ 106.89
2	10/30/2011	\$ 21,070.61	\$ 413.28	\$ -	\$ 413.28	\$ 307.92	\$ 105.35	\$ 20,762.68	\$ 212.24
3	11/30/2011	\$ 20,762.68	\$ 413.28	\$ -	\$ 413.28	\$ 309.46	\$ 103.81	\$ 20,453.22	\$ 316.05
4	12/30/2011	\$ 20,453.22	\$ 413.28	\$ -	\$ 413.28	\$ 311.01	\$ 102.27	\$ 20,142.21	\$ 418.32
5	1/30/2012	\$ 20,142.21	\$ 413.28	\$ -	\$ 413.28	\$ 312.57	\$ 100.71	\$ 19,829.64	\$ 519.03
6	2/30/2012	\$ 19,829.64	\$ 413.28	\$ -	\$ 413.28	\$ 314.13	\$ 99.15	\$ 19,515.51	\$ 618.18
7	3/30/2012	\$ 19,515.51	\$ 413.28	\$ -	\$ 413.28	\$ 315.70	\$ 97.58	\$ 19,199.81	\$ 715.75
8	4/30/2012	\$ 19,199.81	\$ 413.28	\$ -	\$ 413.28	\$ 317.28	\$ 96.00	\$ 18,882.54	\$ 811.75
9	5/30/2012	\$ 18,882.54	\$ 413.28	\$ -	\$ 413.28	\$ 318.86	\$ 94.41	\$ 18,563.67	\$ 906.17
10	6/30/2012	\$ 18,563.67	\$ 413.28	\$ -	\$ 413.28	\$ 320.46	\$ 92.82	\$ 18,243.21	\$ 998.98
11	7/30/2012	\$ 18,243.21	\$ 413.28	\$ -	\$ 413.28	\$ 322.06	\$ 91.22	\$ 17,921.15	\$ 1,090.20
12	8/30/2012	\$ 17,921.15	\$ 413.28	\$ -	\$ 413.28	\$ 323.67	\$ 89.61	\$ 17,597.48	\$ 1,179.81
13	9/30/2012	\$ 17,597.48	\$ 413.28	\$ -	\$ 413.28	\$ 325.29	\$ 87.99	\$ 17,272.19	\$ 1,267.79
14	10/30/2012	\$ 17,272.19	\$ 413.28	\$ -	\$ 413.28	\$ 326.92	\$ 86.36	\$ 16,945.27	\$ 1,354.15
15	11/30/2012	\$ 16,945.27	\$ 413.28	\$ -	\$ 413.28	\$ 328.55	\$ 84.73	\$ 16,616.72	\$ 1,438.88
16	12/30/2012	\$ 16,616.72	\$ 413.28	\$ -	\$ 413.28	\$ 330.19	\$ 83.08	\$ 16,286.53	\$ 1,521.96
17	1/30/2013	\$ 16,286.53	\$ 413.28	\$ -	\$ 413.28	\$ 331.84	\$ 81.43	\$ 15,954.68	\$ 1,603.40
18	2/2/2013	\$ 15,954.68	\$ 413.28	\$ -	\$ 413.28	\$ 333.50	\$ 79.77	\$ 15,621.18	\$ 1,683.17
19	3/30/2013	\$ 15,621.18	\$ 413.28	\$ -	\$ 413.28	\$ 335.17	\$ 78.11	\$ 15,286.01	\$ 1,761.28
20	4/30/2013	\$ 15,286.01	\$ 413.28	\$ -	\$ 413.28	\$ 336.85	\$ 76.43	\$ 14,949.16	\$ 1,837.71
21	5/30/2013	\$ 14,949.16	\$ 413.28	\$ -	\$ 413.28	\$ 338.53	\$ 74.75	\$ 14,610.63	\$ 1,912.45
22	6/30/2013	\$ 14,610.63	\$ 413.28	\$ -	\$ 413.28	\$ 340.22	\$ 73.05	\$ 14,270.40	\$ 1,985.51
23	7/30/2013	\$ 14,270.40	\$ 413.28	\$ -	\$ 413.28	\$ 341.93	\$ 71.35	\$ 13,928.48	\$ 2,056.86
24	8/30/2013	\$ 13,928.48	\$ 413.28	\$ -	\$ 413.28	\$ 343.65	\$ 69.64	\$ 13,584.84	\$ 2,126.50
25	9/30/2013	\$ 13,584.84	\$ 413.28	\$ -	\$ 413.28	\$ 345.36	\$ 67.92	\$ 13,239.49	\$ 2,194.42
26	10/30/2013	\$ 13,239.49	\$ 413.28	\$ -	\$ 413.28	\$ 347.08	\$ 66.20	\$ 12,892.41	\$ 2,260.62
27	11/30/2013	\$ 12,892.41	\$ 413.28	\$ -	\$ 413.28	\$ 348.82	\$ 64.46	\$ 12,543.60	\$ 2,325.08
28	12/30/2013	\$ 12,543.60	\$ 413.28	\$ -	\$ 413.28	\$ 350.56	\$ 62.72	\$ 12,193.04	\$ 2,387.80
29	1/30/2014	\$ 12,193.04	\$ 413.28	\$ -	\$ 413.28	\$ 352.31	\$ 60.97	\$ 11,840.73	\$ 2,448.77
30	2/30/2014	\$ 11,840.73	\$ 413.28	\$ -	\$ 413.28	\$ 354.07	\$ 59.20	\$ 11,486.65	\$ 2,507.97
31	3/30/2014	\$ 11,486.65	\$ 413.28	\$ -	\$ 413.28	\$ 355.84	\$ 57.43	\$ 11,130.81	\$ 2,565.40
32	4/30/2014	\$ 11,130.81	\$ 413.28	\$ -	\$ 413.28	\$ 357.62	\$ 55.65	\$ 10,773.18	\$ 2,621.06
33	5/30/2014	\$ 10,773.18	\$ 413.28	\$ -	\$ 413.28	\$ 359.41	\$ 53.87	\$ 10,413.77	\$ 2,674.92

Pmt No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
34	6/30/2014	\$ 10,413.77	\$ 413.28	\$ -	\$ 413.28	\$ 361.21	\$ 52.07	\$ 10,052.56	\$ 2,226.99
35	7/30/2014	\$ 10,052.56	\$ 413.28	\$ -	\$ 413.28	\$ 363.01	\$ 50.26	\$ 9,689.55	\$ 2,277.26
36	8/30/2014	\$ 9,689.55	\$ 413.28	\$ -	\$ 413.28	\$ 364.83	\$ 48.45	\$ 9,324.72	\$ 2,325.70
37	9/30/2014	\$ 9,324.72	\$ 413.28	\$ -	\$ 413.28	\$ 366.65	\$ 46.62	\$ 8,958.07	\$ 2,372.33
38	10/30/2014	\$ 8,958.07	\$ 413.28	\$ -	\$ 413.28	\$ 368.49	\$ 44.79	\$ 8,589.58	\$ 2,417.12
39	11/30/2014	\$ 8,589.58	\$ 413.28	\$ -	\$ 413.28	\$ 370.33	\$ 42.95	\$ 8,219.25	\$ 2,460.06
40	12/30/2014	\$ 8,219.25	\$ 413.28	\$ -	\$ 413.28	\$ 372.18	\$ 41.10	\$ 7,847.07	\$ 2,501.16
41	1/30/2015	\$ 7,847.07	\$ 413.28	\$ -	\$ 413.28	\$ 374.03	\$ 39.24	\$ 7,473.03	\$ 2,540.40
42	2/2/2015	\$ 7,473.03	\$ 413.28	\$ -	\$ 413.28	\$ 375.91	\$ 37.37	\$ 7,097.12	\$ 2,577.76
43	3/30/2015	\$ 7,097.12	\$ 413.28	\$ -	\$ 413.28	\$ 377.79	\$ 35.49	\$ 6,719.32	\$ 2,613.25
44	4/30/2015	\$ 6,719.32	\$ 413.28	\$ -	\$ 413.28	\$ 379.68	\$ 33.60	\$ 6,339.64	\$ 2,646.84
45	5/30/2015	\$ 6,339.64	\$ 413.28	\$ -	\$ 413.28	\$ 381.58	\$ 31.70	\$ 5,958.06	\$ 2,678.54
46	6/30/2015	\$ 5,958.06	\$ 413.28	\$ -	\$ 413.28	\$ 383.49	\$ 29.79	\$ 5,574.58	\$ 2,708.33
47	7/30/2015	\$ 5,574.58	\$ 413.28	\$ -	\$ 413.28	\$ 385.40	\$ 27.87	\$ 5,189.17	\$ 2,736.21
48	8/30/2015	\$ 5,189.17	\$ 413.28	\$ -	\$ 413.28	\$ 387.33	\$ 25.95	\$ 4,801.84	\$ 2,762.15
49	9/30/2015	\$ 4,801.84	\$ 413.28	\$ -	\$ 413.28	\$ 389.27	\$ 24.01	\$ 4,412.57	\$ 2,786.16
50	10/30/2015	\$ 4,412.57	\$ 413.28	\$ -	\$ 413.28	\$ 391.21	\$ 22.06	\$ 4,021.36	\$ 2,808.22
51	11/30/2015	\$ 4,021.36	\$ 413.28	\$ -	\$ 413.28	\$ 393.17	\$ 20.11	\$ 3,628.19	\$ 2,828.33
52	12/30/2015	\$ 3,628.19	\$ 413.28	\$ -	\$ 413.28	\$ 395.14	\$ 18.14	\$ 3,233.05	\$ 2,846.47
53	1/30/2016	\$ 3,233.05	\$ 413.28	\$ -	\$ 413.28	\$ 397.11	\$ 16.17	\$ 2,835.94	\$ 2,862.64
54	3/1/2016	\$ 2,835.94	\$ 413.28	\$ -	\$ 413.28	\$ 399.10	\$ 14.18	\$ 2,436.84	\$ 2,876.82
55	3/30/2016	\$ 2,436.84	\$ 413.28	\$ -	\$ 413.28	\$ 401.09	\$ 12.18	\$ 2,035.75	\$ 2,889.00
56	4/30/2016	\$ 2,035.75	\$ 413.28	\$ -	\$ 413.28	\$ 403.10	\$ 10.18	\$ 1,632.65	\$ 2,899.18
57	5/30/2016	\$ 1,632.65	\$ 413.28	\$ -	\$ 413.28	\$ 405.11	\$ 8.16	\$ 1,227.54	\$ 2,907.34
58	6/30/2016	\$ 1,227.54	\$ 413.28	\$ -	\$ 413.28	\$ 407.14	\$ 6.14	\$ 820.40	\$ 2,913.48
59	7/30/2016	\$ 820.40	\$ 413.28	\$ -	\$ 413.28	\$ 409.18	\$ 4.10	\$ 411.22	\$ 2,917.58
60	8/30/2016	\$ 411.22	\$ 413.28	\$ -	\$ 411.22	\$ 409.17	\$ 2.06	\$ -	\$ 2,919.64

ARIZONA CORPORATION COMMISSION

CERTIFICATE OF PUBLIC NOTICE

APPLICANT'S NAME: Patricia D. Olsen

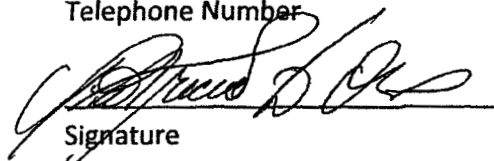
BUSINESS NAME: Montezuma Rimrock Water Company LLC

On May 31, 2011, I mailed a copy of the attached Public Notices: Application for a Rate Case, and Application for an Order for Financing. A copy of each of the attached notices was mailed to each customer along with their billing statement.

May 31, 2012
(Date)

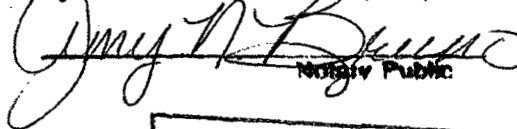
Patricia D. Olsen, Manager
Name and Title

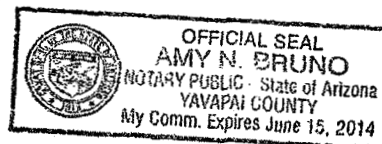
(928) 592-9211
Telephone Number


Signature

STATE OF ARIZONA
COUNTY OF YAVAPAI

The foregoing instrument was acknowledged
before me this 31st day of May, 2012
by Patricia D. Olsen


Notary Public



PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER

AUTHORIZING THE ISSUANCE OF Promissory Note (security)
BY Montezuma Rimrock Water Company LLC (company)

Montezuma Rimrock Water Co ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$ 21,377.00 (gross proceeds) of Promissory Note (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Rimrock, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

C-EX77
NEW APPLICATION

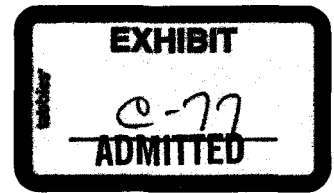
ARIZONA CORPORATION COMMISSION



Arizona Corporation Commission
DOCKETED

MAY 31 2012

DOCKETED BY	ne
-------------	----



RECEIVED
2012 MAY 31 PM 1:29
ARIZONA CORPORATION COMMISSION
DOCKET CONTROL

FINANCING APPLICATION

Montezuma Rimrock Water Company LLC
UTILITY NAME

W-04254A-12-0206

DOCKET NO(S)

You must complete ALL items in the application according to the instructions provided. If you have any questions regarding the application please call (602) 542-4251 for Staff assistance.

IN ORDER TO PROCESS YOUR APPLICATION
PLEASE FORWARD THE ORIGINAL
AND THIRTEEN COPIES OF THE
APPLICATION PLUS
THREE PACKETS OF THE SUPPORTING
DOCUMENTATION TO:

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL CENTER
1200 WEST WASHINGTON STREET
PHOENIX, ARIZONA 85007

Application for financing approval pursuant to ARS 40-301 and 40-302 information:

1. Montezuma Rimrock Water Company LLC

Patricia D. Olsen, Manager

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

2. Statutory Agent:

Patricia D. Olsen

P.O. Box 10, 4615 E. Goldmine Rd., Rimrock, AZ 86335

928-592-9211

3. Promissory Note

Sergei Arias

Proposal submittal: \$15,000.00

Purchase of 8,000 gallon hydro-pneumatic tank

4. The Finance Application is within the corporate powers of the applicant and compatible with the public interest. The hydro-pneumatic tank provides an additional 8,000 gallons of water storage to the system.

COMPARATIVE STATEMENT OF INCOME AND EXPENSE

Acct. No.	OPERATING REVENUES	PRIOR YEAR	CURRENT YEAR
461	Metered Water Revenue	\$ 101961	\$
460	Unmetered Water Revenue		
474	Other Water Revenues		
	TOTAL REVENUES	\$ 101961	\$ 101276
	OPERATING EXPENSES		
601	Salaries and Wages	\$ 14802	\$
610	Purchased Water	994	686
615	Purchased Power	6600	6064
618	Chemicals	610	711
620	Repairs and Maintenance	19490	8047
621	Office Supplies and Expense	9620	13160
630	Outside Services	7132	15890
635	Water Testing	2675	1000
641	Rents	5800	7983
650	Transportation Expenses	9279	9352
657	Insurance - General Liability	5897	4948
659	Insurance - Health and Life	3902	1597
666	Regulatory Commission Expense -- Rate Case	1870	886
675	Miscellaneous Expense	2675	2477
403	Depreciation Expense	10935	7367
408	Taxes Other Than Income	9020	10291
408.11	Property Taxes	3484	3098
409	Income Tax		
	TOTAL OPERATING EXPENSES	\$ 114785	\$ 93537
	OPERATING INCOME/(LOSS)	\$ <12824>	\$ 7739
	OTHER INCOME/(EXPENSE)		
419	Interest and Dividend Income	\$	\$
421	Non-Utility Income		
426	Miscellaneous Non-Utility Expenses	<292>	
427	Interest Expense	<2244>	<2773>
	TOTAL OTHER INCOME/(EXPENSE)	\$ <2536>	\$ <2773>
	NET INCOME/(LOSS)	\$ <15360>	\$ 4946

BALANCE SHEET

Acct No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	ASSETS		
	CURRENT AND ACCRUED ASSETS		
131	Cash	\$ 1514	\$ 1894
134	Working Funds		
135	Temporary Cash Investments		
141	Customer Accounts Receivable		
146	Notes/Receivables from Associated Companies		
151	Plant Material and Supplies	377	377
162	Prepayments		
174	Miscellaneous Current and Accrued Assets		
	TOTAL CURRENT AND ACCRUED ASSETS	\$ 1891	\$ 2271
	FIXED ASSETS		
101	Utility Plant in Service	\$ 529342	\$ 547477
103	Property Held for Future Use		
105	Construction Work in Progress		155
108	Accumulated Depreciation – Utility Plant	<220868>	<234721>
121	Non-Utility Property		
122	Accumulated Depreciation – Non Utility		
	TOTAL FIXED ASSETS	\$ 306474	\$ 312911
	TOTAL ASSETS	\$ 310365	\$ 315182

NOTE: The Assets on this page should be equal to **Total Liabilities and Capital** on the following page.

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 2000	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	26855	32163
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 27055	\$ 32163
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$ 28611	\$ 17728
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	28575	30986
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	252556	257742
272	Less: Amortization of Contributions	<73388>	<36891>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 207743	\$ 251837
	TOTAL LIABILITIES	\$ 263209	\$ 301726
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	4712	11901
218	Proprietary Capital (Sole Props and Partnerships)	40444	1555
	TOTAL CAPITAL	\$ 45156	\$ 13456
	TOTAL LIABILITIES AND CAPITAL	\$ 310365	\$ 315182

LOAN AGREEMENT

\$15,000

DATE: July 1, 2011

For value received, the undersigned Montezuma Rimrock Water Company LLC (the "Borrower"), at Rimrock Arizona, promises to pay to the order of Sergei Arias, (the "Lender"), at 2126 S. Tombaugh Way, Flagstaff, Arizona 86001, (or at such other place as the Lender may designate in writing) the sum of \$15,000 with interest from July 1, 2011, on the unpaid principal at the rate of 6% per annum.

I. TERMS OF REPAYMENT

A. Payments

The unpaid principal and accrued interest shall be payable in monthly installment of \$289.99, beginning on July 1, 2011, and continuing until July 1, 2016, (the "due Date"), at which time the remaining unpaid principal and interest shall be due in full.

B. Application of Payments

All payments on this Note shall be applied first in payment of accrued interest and any remainder in payment of principal.

C. Late Fee

The Borrower promises to pay a late charge of \$5.00 for each installment that remains unpaid more than 15 day(s) after its Due Date. This late charge shall be paid as liquidated damages in lieu of actual damages, and not as a penalty.

D. Acceleration of Debt

If any payment obligation under this Note is not paid when due, the remaining unpaid principal balance and any accrued interest shall become due immediately at the option of the Lender.

II. PREPAYMENT

The Borrower reserves the right to prepay this Note (in whole or in part) prior to the Due Date with no prepayment penalty.

III. COLLECTION COSTS

If any payment obligation under this Note is not paid when due, the Borrower promises to pay all costs of collection, including reasonable attorney fees, whether or not a lawsuit is commenced as part of the collection process.

IV. DEFAULT

If any of the following events of default occur, this Note and any other obligations of the Borrower to the Lender, shall become due immediately, without demand or notice:

- 1) the failure of the Borrower to pay the principal and any accrued interest in full on or before the Due Date;
- 2) the death of the Borrower or Lender;
- 3) the filing of bankruptcy proceedings involving the Borrower as a debtor;
- 4) the application for the appointment of a receiver of the Borrower;
- 5) the making of a general assignment for the benefit of the Borrower's creditors;
- 6) the insolvency of the Borrower;
- 7) a misrepresentation by the Borrower to the Lender for the purpose of obtaining or extending credit.

V. SEVERABILITY OF PROVISIONS

If any one or more of the provisions of this Note are determined to be unenforceable in whole or in part, for any reason, the remaining provisions shall remain fully operative.

VI. MISCELLANEOUS

All payments of principal and interest on this Note shall be paid in the legal currency of the United States. The Borrower waives presentment for payment, protest, and notice of protest and nonpayment of this Note.

No renewal or extension of this Note, delay in enforcing any right of the Lender under this Note, or assignment by Lender of this Note shall affect the liability or the obligations of the Borrower. All rights of the Lender under this Note are cumulative and may be exercised concurrently or consecutively at the Lender's option.

VII. GOVERNING LAW

This Note shall be construed in accordance with the laws of the State of Arizona

IN WITNESS WHEREOF, this Agreement has been executed and delivered in the manner prescribed by law as of the date first written above.

Signed this 30th day of June, 2011.

Borrower:

Montezuma Rimrock Water Company LLC

BY

Sergei Arias

[REDACTED]

Loan Amortization Schedule

Enter values	
Loan amount	\$ 15,000.00
Annual interest rate	6.00 %
Loan period in years	5
Number of payments per year	12
Start date of loan	7/1/2011
Optional extra payments	

Loan summary	
Scheduled payment	\$ 289.99
Scheduled number of payments	60
Actual number of payments	60
Total early payments	\$ -
Total interest	\$ 2,396.87

Lender name: Sergei Arias

Pmt. No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
1	8/1/2011	15,000.00	289.99		289.99	211.90	78.09	14,788.01	78.09
2	9/1/2011	14,788.01	289.99		289.99	212.67	77.32	14,575.34	155.41
3	10/1/2011	14,575.34	289.99		289.99	213.45	76.54	14,361.89	231.95
4	11/1/2011	14,361.89	289.99		289.99	214.23	75.76	14,147.66	307.71
5	12/1/2011	14,147.66	289.99		289.99	215.02	74.97	13,932.64	382.68
6	1/1/2012	13,932.64	289.99		289.99	215.82	74.17	13,716.82	456.85
7	2/1/2012	13,716.82	289.99		289.99	216.61	73.38	13,500.21	530.23
8	3/1/2012	13,500.21	289.99		289.99	217.41	72.58	13,282.80	602.81
9	4/1/2012	13,282.80	289.99		289.99	218.21	71.78	13,064.59	674.59
10	5/1/2012	13,064.59	289.99		289.99	219.02	70.97	12,845.57	745.56
11	6/1/2012	12,845.57	289.99		289.99	219.83	70.16	12,625.74	815.72
12	7/1/2012	12,625.74	289.99		289.99	220.64	69.35	12,405.10	885.07
13	8/1/2012	12,405.10	289.99		289.99	221.45	68.54	12,183.65	953.61
14	9/1/2012	12,183.65	289.99		289.99	222.26	67.73	11,961.39	1,021.34
15	10/1/2012	11,961.39	289.99		289.99	223.07	66.92	11,738.32	1,088.26
16	11/1/2012	11,738.32	289.99		289.99	223.88	66.11	11,514.44	1,154.37
17	12/1/2012	11,514.44	289.99		289.99	224.69	65.30	11,289.75	1,219.67
18	1/1/2013	11,289.75	289.99		289.99	225.50	64.49	11,064.25	1,284.16
19	2/1/2013	11,064.25	289.99		289.99	226.31	63.68	10,837.94	1,347.84
20	3/1/2013	10,837.94	289.99		289.99	227.12	62.87	10,610.82	1,410.71
21	4/1/2013	10,610.82	289.99		289.99	227.93	62.06	10,382.89	1,472.77
22	5/1/2013	10,382.89	289.99		289.99	228.74	61.25	10,154.15	1,534.02
23	6/1/2013	10,154.15	289.99		289.99	229.55	60.44	9,924.60	1,594.46
24	7/1/2013	9,924.60	289.99		289.99	230.36	59.63	9,694.24	1,654.09
25	8/1/2013	9,694.24	289.99		289.99	231.17	58.82	9,463.07	1,712.91
26	9/1/2013	9,463.07	289.99		289.99	231.98	58.01	9,231.09	1,770.92
27	10/1/2013	9,231.09	289.99		289.99	232.79	57.20	8,998.30	1,828.12
28	11/1/2013	8,998.30	289.99		289.99	233.60	56.39	8,764.70	1,884.51
29	12/1/2013	8,764.70	289.99		289.99	234.41	55.58	8,530.29	1,940.09
30	1/1/2014	8,530.29	289.99		289.99	235.22	54.77	8,295.07	1,994.86
31	2/1/2014	8,295.07	289.99		289.99	236.03	53.96	8,059.04	2,048.82
32	3/1/2014	8,059.04	289.99		289.99	236.84	53.15	7,822.20	2,101.97
33	4/1/2014	7,822.20	289.99		289.99	237.65	52.34	7,584.55	2,154.31

Pmt. No.	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance	Cumulative Interest
34	5/1/2014	7,053.77	289.99		789.99	253.46	36.54	7,053.77	3,591.50
35	6/1/2014	7,053.77	289.99		789.99	254.72	35.27	6,799.05	1,918.77
36	7/1/2014	6,799.05	289.99		789.99	255.00	34.00	6,543.05	1,582.76
37	8/1/2014	6,543.05	289.99		789.99	255.28	32.72	6,286.77	2,015.48
38	9/1/2014	6,286.77	289.99		789.99	255.56	31.43	6,032.21	2,046.91
39	10/1/2014	6,032.21	289.99		789.99	255.86	30.14	5,767.35	2,077.05
40	11/1/2014	5,767.35	289.99		789.99	256.16	28.81	5,506.20	2,105.86
41	12/1/2014	5,506.20	289.99		789.99	256.46	27.53	5,243.74	2,133.41
42	1/1/2015	5,243.74	289.99		789.99	256.77	26.22	4,979.97	2,159.63
43	2/1/2015	4,979.97	289.99		789.99	257.09	24.90	4,714.87	2,184.53
44	3/1/2015	4,714.87	289.99		789.99	257.42	23.57	4,448.44	2,208.10
45	4/1/2015	4,448.44	289.99		789.99	257.73	22.24	4,180.71	2,230.35
46	5/1/2015	4,180.71	289.99		789.99	258.09	20.90	3,911.62	2,251.25
47	6/1/2015	3,911.62	289.99		789.99	258.43	19.56	3,641.18	2,270.81
48	7/1/2015	3,641.18	289.99		789.99	258.79	18.21	3,369.40	2,289.01
49	8/1/2015	3,369.40	289.99		789.99	259.13	16.85	3,096.25	2,305.86
50	9/1/2015	3,096.25	289.99		789.99	259.51	15.48	2,821.74	2,321.34
51	10/1/2015	2,821.74	289.99		789.99	259.88	14.11	2,545.86	2,335.45
52	11/1/2015	2,545.86	289.99		789.99	260.26	12.73	2,268.60	2,348.18
53	12/1/2015	2,268.60	289.99		789.99	260.63	11.34	1,989.95	2,359.52
54	1/1/2016	1,989.95	289.99		789.99	261.01	9.95	1,709.90	2,369.47
55	2/1/2016	1,709.90	289.99		789.99	261.44	8.53	1,428.46	2,378.02
56	3/1/2016	1,428.46	289.99		789.99	261.85	7.14	1,145.61	2,385.17
57	4/1/2016	1,145.61	289.99		789.99	262.26	5.73	861.35	2,390.89
58	5/1/2016	861.35	289.99		789.99	262.69	4.31	573.66	2,395.20
59	6/1/2016	573.66	289.99		789.99	263.11	2.88	288.55	2,398.08
60	7/1/2016	288.55	289.99		789.99	263.52	1.44		2,399.52

ARIZONA CORPORATION COMMISSION

CERTIFICATE OF PUBLIC NOTICE

APPLICANT'S NAME: Patricia D. Olsen

BUSINESS NAME: Montezuma Rimrock Water Company LLC

On May 31, 2011, I mailed a copy of the attached Public Notices: Application for a Rate Case, and Application for an Order for Financing. A copy of each of the attached notices was mailed to each customer along with their billing statement.

May 31, 2012

(Date)

Patricia D. Olsen, Manager

Name and Title

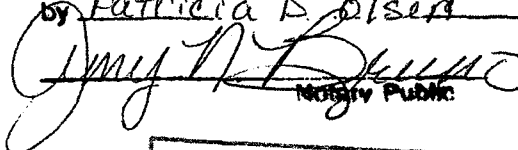
(928) 592-9211

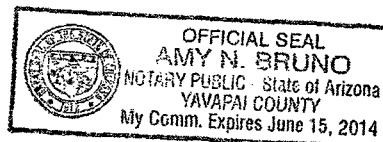
Telephone Number


Signature

STATE OF ARIZONA
COUNTY OF YAVAPAI

The foregoing instrument was acknowledged
before me this 31st day of May, 2012
by Patricia D. Olsen


Notary Public



PUBLIC NOTICE
OF
AN APPLICATION FOR AN ORDER

AUTHORIZING THE ISSUANCE OF Promissory Note (security)
BY Montezuma Rimrock Water Company LLC (company)

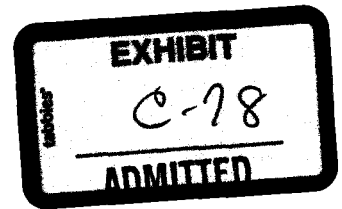
Montezuma Rimrock Water Co ("Company") filed an Application with the Arizona Corporation Commission ("Commission") for an order authorizing Applicant to issue \$ 15,000.00 (gross proceeds) of Promissory Note (security to be issued). The application is available for inspection during regular business hours at the office of the Commission in Phoenix, Arizona, and the Company's offices in Rimrock, Arizona.

Intervention in the Commission's proceedings on the application shall be permitted to any person entitled by law to intervene and having a direct substantial interest in this matter. Persons desiring to intervene must file a Motion to Intervene with the Commission which must be served upon applicant and which, at a minimum, shall contain the following information:

1. The name, address and telephone number of the proposed intervenor and of any person upon whom service of documents is to be made if different than the intervenor.
2. A short statement of the proposed intervenor's interest in the proceeding.
3. Whether the proposed intervenor desires a formal evidentiary hearing on the application and the reasons for such a hearing.
4. A statement certifying that a copy of the Motion to Intervene has been mailed to Applicant.

The granting of Motions to Intervene shall be governed by A.A.C. R14-3-105, except that all Motions to Intervene must be filed on, or before, the 15th day after this notice.

C-EX-78



National Bank of Arizona

ACCOUNT # [REDACTED]

Name Patricia Olsen
Account No. [REDACTED] Date 8/5/11
Pay to the Order of NBA \$ 11,757.89
Sixteen thousand Seven hundred eighty seven and 89/100 Dollars
NATIONAL BANK OF ARIZONA
For Travel Title [Signature] 9999

Processed 08/05/11 \$16757.89 Ch# 9999

PATRICIA D OLSEN
2126 S TOMBALIGH WAY
FLAGSTAFF, AZ 86001 7104
Date 8-9-11
Pay to the Order of Bank of The West \$ 6056.09
Six thousand fifty six and 09/100 Dollars
National Bank of Arizona
For [REDACTED] [Signature] 1252

Processed 08/16/11 \$6056.09 Ch# 1252



PO Box 30709 Salt Lake City, UT 84130-0709

C-EX80

Statement of Accounts

Page 1 of 7

This Statement: March 31, 2011

Last Statement: February 28, 2011

Primary Account [REDACTED]

DIRECT INQUIRIES TO:

1 (800) 497-8168

www.nbarizona.com

P26294 05-0230-NBA-PG0023-00036
0026268 02 AV 0.457 **AUTO H2 0 1891 86335-001010

MONTEZUMA RIMROCK WATER CO LLC

PATRICIA OLSEN

PO BOX 10

RIMROCK AZ 86335-0010



Flagstaff (Leroux & Birch St)

211 N. Leroux

Flagstaff, AZ 86001-0000

Experience leaves its Mark

Make the most of all your resources with time saving solutions created with your business in mind. NB|AZ offers the products and services your company needs to maximize cash and minimize time. Talk to a banker today!

SUMMARY OF ACCOUNT BALANCE

Account Type	Account Number	Checking/Savings Ending Balance	Outstanding Balances Owed
Basic Business Checking	[REDACTED]	\$1,154.10	

BASIC BUSINESS CHECKING

Previous Balance	Deposits/Credits	Charges/Debits	Checks Processed	Ending Balance
1,310.74	8,627.64	2,910.11	5,874.17	1,154.10

15 DEPOSITS/CREDITS

Date	Amount	Description
03/03	67.91	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011062000186423 1101033784
03/07	782.50	DEPOSIT 9494484717
03/07	128.00	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011066001505403 1100734336
03/08	994.22	DEPOSIT 9494430286
03/08	80.58	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011067002085514 1100721342
03/10	951.24	DEPOSIT 9494541045
03/14	267.27	DEPOSIT 9494854954
03/15	1,955.21	DEPOSIT 9494479992
03/16	1,325.79	DEPOSIT 9494476143
03/21	417.51	DEPOSIT 9494521368
03/21	414.11	DEPOSIT 9494521436
03/25	514.09	DEPOSIT 9494215504
03/29	32.60	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011088009963492 1100816158
03/30	666.61	DEPOSIT 9494406715
03/30	30.00	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011089000584748 1100714359

46 CHARGES/DEBITS

Date	Amount	Description
03/01	63.39	HRTLAND PMT SYS TXNS/FE 650000004945187REF # 011060008741599 1100842578
03/02	50.71	0244 P.O.S. PURCHASE Wal-Mart S 1175 WAL-SA FLAGSTAFF AZ 1400501690
03/02	28.84	0244 P.O.S. PURCHASE SHELL Serv SHELL SEDONA AZ 1400501689
03/04	116.93	24388941Y6N9XZJ9H 8244 VERDE VALLEY HARDWARE COTTONWOOD AZ 1200801549
03/07	40.20	0244 P.O.S. PURCHASE SAMSClub # 1851 E BUTL FLAGSTAFF AZ 1400605131
03/07	23.79	0244 P.O.S. PURCHASE THE HOME D 1325 W RTE FLAGSTAFF AZ 1400605130
03/07	1.17	247170520M8EZQ53V 8244 EMBROIDERY LIBRARY INC763-5093320 MN 1200824364



MEMBER FDIC

1. The first part of the document is a title page. It contains the title "THE HISTORY OF THE UNITED STATES OF AMERICA" and the author "BY JAMES M. SMITH".

2. The second part of the document is a table of contents. It lists the chapters and their corresponding page numbers.

3. The third part of the document is the first chapter, titled "THE DISCOVERY OF AMERICA". It describes the early exploration of the continent by Christopher Columbus and other European navigators.

4. The fourth part of the document is the second chapter, titled "THE SETTLEMENT OF AMERICA". It discusses the early colonial settlements and the challenges faced by the settlers.

5. The fifth part of the document is the third chapter, titled "THE REVOLUTIONARY WAR". It covers the events leading up to the war and the battle of independence.

6. The sixth part of the document is the fourth chapter, titled "THE CONSTITUTION". It explains the formation of the federal government and the principles of the Constitution.

7. The seventh part of the document is the fifth chapter, titled "THE WESTERN EXPANSION". It describes the movement of settlers westward and the impact on Native American populations.

8. The eighth part of the document is the sixth chapter, titled "THE CIVIL WAR". It details the conflict between the Union and the Confederacy and its consequences.

9. The ninth part of the document is the seventh chapter, titled "THE RECONSTRUCTION". It discusses the efforts to rebuild the South and the challenges of integrating African Americans into society.

10. The tenth part of the document is the eighth chapter, titled "THE MODERN UNITED STATES". It covers the period from the end of the Civil War to the present day, focusing on economic growth and social change.

Transfer to Line 9

This balance should agree with line 10, below.

This balance should agree with line 5, above.

Review account balances • Review posted transactions • Pay bills • Transfer funds



PO Box 30709 Salt Lake City, UT 84130-0709

Page 3 of 7

March 31, 2011

MONTEZUMA RIMROCK WATER CO LLC

Continued ...

Date	Amount	Description
03/07	1.17	247170520M8EZQ5G7 8244 EMBROIDERY LIBRARY INC763-5093320 MN 1200824365
03/08	70.00	24692162200RPJPN9 8244 PAY*Rimrock Super Stor866-289-5977 CA 1200801395
03/08	68.70	0244 P.O.S. PURCHASE SAMSCLUB # 1851 E BUTL FLAGSTAFF AZ 1400501523
03/09	9.90	244273323LYK4T392 8244 MCDONALD'S F2640 FLAGSTAFF AZ 1200801398
03/10	100.00	AMERICAN EXPRESS ARC PM 2976 REF # 011068003024391 1100713937
03/10	35.58	HEARTLNDPMTSYS RECEIVAB *****049451REF # 011068003014110 1100716221
03/11	6.79	24493982661KWKBVV 8244 THE CAFE AT FMC FLAGSTAFF AZ 1200801536
03/14	117.85	247170528L3973QVK 8244 COST CUTTERS FLAGSTAFF AZ 1200801554
03/14	87.45	0244 P.O.S. PURCHASE THE HOME D 1325 W RTE FLAGSTAFF AZ 1400605096
03/14	46.07	0244 P.O.S. PURCHASE SAMSCLUB # 1851 E BUTL FLAGSTAFF AZ 1400605095
03/14	35.03	0244 P.O.S. PURCHASE SAMSCLUB # 1851 E BUTL FLAGSTAFF AZ 1400605094
03/14	32.00	242753928S66G7HWH 8244 CUTIE NAILS #2 FLAGSTAFF AZ 1200801553
03/14	21.00	24493982661KWG97Z 8244 CRICKETS SANDWICH SHOPLAKE MONTEZUMA 1200821222
03/14	11.91	0244 P.O.S. PURCHASE SAM'S Club 6604 WAL-SA FLAGSTAFF AZ 1400605093
03/15	185.00	STUDENT LOAN PMT PAYMEN 2983 REF # 011073004401410 1100803539
03/16	60.00	0244 ATM WITHDRAWAL 211 NORTH LEROUX FLAGSTAFF AZ 1400519324
03/17	89.00	24492802B3DWMQ6Q 8244 ASURION WIRELESS INSUR866-6672535 TN 1200701586
03/17	65.60	0244 P.O.S. PURCHASE VERIZON WR 1430 E ROUT FLAGSTAFF AZ 1400501730
03/17	27.75	24493982B20DRQD0 8244 ABC DISTRIBUTING 847-295-6058 IL 1200701587
03/17	18.03	LINCOLN BENEFIT CK4INSP **T*****28 REF # 011075005826766 1100912606
03/17	16.10	LINCOLN BENEFIT CK4INSP **T*****98 REF # 011075005826765 1100912605
03/21	223.11	VZ WIRELESS ARC ARC 2990 REF # 011080007010410 1100617213
03/21	75.42	0244 P.O.S. PURCHASE THE HOME D 1325 W RTE FLAGSTAFF AZ 1401205132
03/21	50.00	Kohls Chg Pmt Check PMT 2984 REF # 011080006930709 1100616327
03/21	29.75	24427332DLYHNNKQ 8244 MAVERIK CTRY STRE #288FLAGSTAFF AZ 1200521818
03/21	6.30	24266962DWGNGPFHR 8244 AEC REPROGRAPHICS FLAGSTAFF AZ 1200521817
03/22	185.00	STUDENT LOAN PMT PAYMEN 2988 REF # 011080007187163 1100902316
03/22	40.33	0244 P.O.S. PURCHASE SAMSCLUB # 1851 E BUTL FLAGSTAFF AZ 1400501562
03/22	30.52	24427332GLYHNG78L 8244 MAVERIK CTRY STRE #288FLAGSTAFF AZ 1200701301
03/23	10.38	0244 P.O.S. PURCHASE BEAVER CRE 3675 E. BEA RIMROCK AZ 1400501688
03/24	414.18	APS UTILITY 3002 REF # 011082008415690 1101110409
03/25	47.80	0244 P.O.S. PURCHASE SAMSCLUB # 1851 E BUTL FLAGSTAFF AZ 1400501814
03/28	89.50	0244 P.O.S. PURCHASE Staples, I 2625 N Wood FLAGSTAFF AZ 1400605199
03/28	30.66	24493982L61KWG95Z 8244 CRICKETS SANDWICH SHOPLAKE MONTEZUMA 1201021463
03/30	119.00	24616772RWGNZK6A5 8244 INKPRODUCTS.COM 863-223-1805 FL 1201001485
03/30	10.05	0244 P.O.S. PURCHASE SHELL Serv SHELL SEDONA AZ 1400401670
03/31	88.48	24692162S008Q1SBD 8244 AMAZON MKTPLACE PMTS AMZN.COM/BILL WA 1200701497
03/31	15.00	MAINTENANCE FEE
03/31	14.67	0244 P.O.S. PURCHASE MAVERIK CO 1690 W RTE FLAGSTAFF AZ 1400401620

26 CHECKS PROCESSED

Number	Date	Amount	Number	Date	Amount	Number	Date	Amount
2887	03/17	100.00	2980	03/10	195.19	2994	03/17	50.00
2960*	03/01	25.00	2981	03/11	363.27	2995	03/18	20.00
2972*	03/08	35.53	2982	03/21	152.03	2996	03/22	146.70
2973	03/10	40.54	2985*	03/18	176.54	2997	03/21	604.96
2974	03/16	100.00	2986	03/22	150.00	2998	03/18	1,511.28
2975	03/21	62.99	2989*	03/17	100.00	3000*	03/21	300.00
2977*	03/08	120.50	2991*	03/21	80.89	3001	03/24	299.50
2978	03/09	216.83	2992	03/16	426.00	3003*	03/28	75.00
2979	03/10	500.00	2993	03/21	21.42			

*Not in check sequence

AGGREGATE OVERDRAFT AND RETURNED ITEM FEES


	Total for This Period	Total Year-to-Date
Total Overdraft Fees	\$0.00	\$0.00
Total Returned Item Fees	\$0.00	\$0.00

March 31, 2011

MONTEZUMA RIMROCK WATER CO LLC

National Bank of Arizona

DAILY BALANCES



Date.....	Balance
03/01	1,222.35
03/02	1,142.80
03/03	1,210.71
03/04	1,093.78
03/07	1,937.95
03/08	2,718.02
03/09	2,491.29
03/10	2,571.22

Date.....	Balance
03/11	2,201.16
03/14	2,117.12
03/15	3,887.33
03/16	4,627.12
03/17	4,160.64
03/18	2,452.82
03/21	1,677.57
03/22	1,125.02

Date.....	Balance
03/23	1,114.64
03/24	400.96
03/25	867.25
03/28	672.09
03/29	704.69
03/30	1,272.25
03/31	1,154.10

DATE	DEPOSIT	TOTAL
3-4-11	782.50	782.50

DEPOSIT TICKET
TOTAL \$ 782.50
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/07/11 \$782.50

DATE	DEPOSIT	TOTAL
3-8-11	994.22	994.22

DEPOSIT TICKET
TOTAL \$ 994.22
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/08/11 \$994.22

DATE	DEPOSIT	TOTAL
3-10-11	951.24	951.24

DEPOSIT TICKET
TOTAL \$ 951.24
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/10/11 \$951.24

DATE	DEPOSIT	TOTAL
3-13-11	267.27	267.27

DEPOSIT TICKET
TOTAL \$ 267.27
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/14/11 \$267.27

DATE	DEPOSIT	TOTAL
3-15-11	1955.21	1955.21

DEPOSIT TICKET
TOTAL \$ 1955.21
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/15/11 \$1955.21

DATE	DEPOSIT	TOTAL
3-16-11	1325.79	1325.79

DEPOSIT TICKET
TOTAL \$ 1325.79
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/16/11 \$1325.79

DATE	DEPOSIT	TOTAL
3-21-11	417.51	417.51

DEPOSIT TICKET
TOTAL \$ 417.51
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/21/11 \$417.51

DATE	DEPOSIT	TOTAL
3-21-11	414.11	414.11

DEPOSIT TICKET
TOTAL \$ 414.11
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/21/11 \$414.11

DATE	DEPOSIT	TOTAL
3-25-11	514.09	514.09

DEPOSIT TICKET
TOTAL \$ 514.09
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/25/11 \$514.09

DATE	DEPOSIT	TOTAL
3-30-11	666.61	666.61

DEPOSIT TICKET
TOTAL \$ 666.61
NATIONAL BANK OF ARIZONA
P.O. BOX 10
PHOENIX, ARIZONA 85001

Processed 03/30/11 \$666.61

MONTESUMA BRIMROCK WATER CO LLC
PATRICIA OLSEN
P.O. BOX 10
BRIMROCK, AZ 85606
PHONE: 928-680-4211

PAY TO THE ORDER OF Grubbs Benefit \$100.00
One Hundred

National Bank of Arizona
P.O. BOX 10
PHOENIX, ARIZONA 85001

For 2010-01-0728

Processed 03/17/11 \$100.00 Ch# 2887

MONTESUMA BRIMROCK WATER CO LLC
PATRICIA OLSEN
P.O. BOX 10
BRIMROCK, AZ 85606
PHONE: 928-680-4211

PAY TO THE ORDER OF Arizona Blue State \$25.00
Twenty five

National Bank of Arizona
P.O. BOX 10
PHOENIX, ARIZONA 85001

For 2010-01-122

Processed 03/01/11 \$25.00 Ch# 2960

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

2-18-11

2972

PAY to the order of Kim Dalton \$ 35.53
Thirty five 100 Dollars

National Bank of Arizona

For [Signature]

2972 /0000001553/

Processed 03/08/11 \$35.53 Ch# 2972

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2973

PAY to the order of Forest \$ 40.54
forty 100 Dollars

National Bank of Arizona

For [Signature]

2973

Processed 03/10/11 \$40.54 Ch# 2973

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2974

PAY to the order of Western Technologies \$ 100.00
One hundred 100 Dollars

National Bank of Arizona

For [Signature]

2974 /00000010000/

Processed 03/16/11 \$100.00 Ch# 2974

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-8-11

2975

PAY to the order of MRC \$ 62.99
Sixty two 100 Dollars

National Bank of Arizona

For [Signature]

2975

Processed 03/21/11 \$62.99 Ch# 2975

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2977

PAY to the order of Don & Rosa Marie Barrios \$ 120.50
One hundred twenty 100 Dollars

National Bank of Arizona

For [Signature]

2977

Processed 03/08/11 \$120.50 Ch# 2977

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2978

PAY to the order of Two Brothers Supply \$ 216.83
Two hundred sixteen 100 Dollars

National Bank of Arizona

For [Signature]

2978

Processed 03/09/11 \$216.83 Ch# 2978

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2979

PAY to the order of Doug Fitzgerald \$ 500.00
Five hundred 100 Dollars

National Bank of Arizona

For [Signature]

2979

Processed 03/10/11 \$500.00 Ch# 2979

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2980

PAY to the order of Bank of the West \$ 195.19
One hundred ninety five 100 Dollars

National Bank of Arizona

For [Signature]

2980

Processed 03/10/11 \$195.19 Ch# 2980

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-10-11

2981

PAY to the order of Yazmin Tellez \$ 363.27
Three hundred sixty three 100 Dollars

National Bank of Arizona

For [Signature]

2981

Processed 03/11/11 \$363.27 Ch# 2981

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-6-11

2982

PAY to the order of Perry Rin \$ 152.03
One hundred fifty two 100 Dollars

National Bank of Arizona

For [Signature]

2982 /00000015203/

Processed 03/21/11 \$152.03 Ch# 2982

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-15-11

2985

PAY to the order of Allstate \$ 176.54
One hundred seventy six 100 Dollars

National Bank of Arizona

For [Signature]

2985 /00000017654/

Processed 03/18/11 \$176.54 Ch# 2985

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 86325
PHONE: 928-882-9211

3-15-11

2986

PAY to the order of ERIC \$ 150.00
One hundred fifty 100 Dollars

National Bank of Arizona

For [Signature]

2986

Processed 03/22/11 \$150.00 Ch# 2986

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2989

PAY to the order of Rimrock Mercantile \$100.00
one hundred Dollars

National Bank of Arizona

For [Signature]

2989

Processed 03/17/11 \$100.00 Ch# 2989

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2992

PAY to the order of Casper \$426.00
four hundred twenty six Dollars

National Bank of Arizona

For [Signature]

2992

Processed 03/16/11 \$426.00 Ch# 2992

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2994

PAY to the order of Elegant Emergency \$50.00
fifty Dollars

National Bank of Arizona

For 16238788-01

2994

Processed 03/17/11 \$50.00 Ch# 2994

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2996

PAY to the order of AEIAC \$146.70
one hundred forty six Dollars

National Bank of Arizona

For 02372674

2996

Processed 03/22/11 \$146.70 Ch# 2996

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2998

PAY to the order of Wells Fargo \$1511.28
one thousand five hundred eleven Dollars

National Bank of Arizona

For 007941474

2998

Processed 03/18/11 \$1511.28 Ch# 2998

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-22-11

3001

PAY to the order of [Signature] \$299.50
two hundred ninety nine Dollars

National Bank of Arizona

For [Signature]

3001

Processed 03/24/11 \$299.50 Ch# 3001

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2991

PAY to the order of USA Blue Bank \$80.89
eighty Dollars

National Bank of Arizona

For 956514

2991

Processed 03/21/11 \$80.89 Ch# 2991

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2993

PAY to the order of Pitney Bowes \$21.42
twenty one Dollars

National Bank of Arizona

For 2136-0558-8-7

2993

Processed 03/21/11 \$21.42 Ch# 2993

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2995

PAY to the order of Brandon Adams \$20.00
twenty Dollars

National Bank of Arizona

For [Signature]

2995

Processed 03/18/11 \$20.00 Ch# 2995

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

2997

PAY to the order of My Debt & Rev \$604.96
Six hundred four Dollars

National Bank of Arizona

For [Signature]

2997

Processed 03/21/11 \$604.96 Ch# 2997

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-15-11

3000

PAY to the order of Wells Fargo \$300.00
three hundred Dollars

National Bank of Arizona

For 0098277092

3000

Processed 03/21/11 \$300.00 Ch# 3000

MONTESUMA RIMROCK WATER CO LLC
PATRICIA OLSEN
P O BOX 10
RIMROCK AZ 85305
PHONE: 928-882-8811

3-22-11

3003

PAY to the order of Reserve Account \$75.00
Seventy five Dollars

National Bank of Arizona

For 47002019

3003

Processed 03/28/11 \$75.00 Ch# 3003



C-EX 81

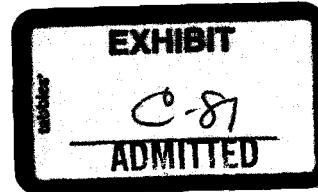
7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC
General Ledger
As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
131							-2,635.04
1311							0.00
Total 1311							0.00
132							-2,635.04
Total 132							-2,635.04
131 - Other							0.00
Total 131 - Other							0.00
Total 131							-2,635.04
Chase Bank Checking							1,482.26
Check	1/3/2011		Returned Check	Haldeman	4601	-83.68	1,398.58
Check	1/3/2011		Returned Check	Service Fee	4601	-6.00	1,392.58
Check	1/3/2011		Heartland		401	-82.33	1,310.25
Deposit	1/4/2011		Deposit	Deposit	4601	1,038.16	2,348.41
Check	1/4/2011		Beaver Creek Gas St...		650	-6.01	2,342.40
Check	1/6/2011		De Rosa PT		604	-50.00	2,292.40
Check	1/6/2011		Maverick		650	-35.12	2,257.28
Check	1/6/2011		Denny's		675	-33.49	2,223.79
Check	1/6/2011		Staples		680	-29.53	2,194.26
Check	1/6/2011	2933	QWest		683	-128.91	2,065.35
Check	1/6/2011	2936	MRWC		610	-60.28	2,005.07
Check	1/6/2011	2939	Bank of West		101	-195.19	1,809.88
Check	1/6/2011	2937	Rimrock Mercantile		620	-118.77	1,691.11
Check	1/6/2011	2934	Pharmacists Mutual		655	-229.00	1,462.11
Check	1/6/2011	2941	Paul Robinson		620	-137.30	1,324.81
Check	1/6/2011	2940	Pitney Bowes		682	-21.81	1,303.00
Check	1/6/2011	2931	Pitney Bowes		682	-100.00	1,203.00
Deposit	1/7/2011		Deposit	Deposit	4601	819.07	2,022.07
Check	1/7/2011		rimrock Storage		636	-70.00	1,952.07
Check	1/7/2011		Verizon Wireless		683	-52.52	1,899.55
Deposit	1/10/2011		Deposit	Deposit	4601	793.75	2,693.30
Check	1/10/2011		Maverick		650	-31.42	2,661.88
Check	1/10/2011		QT		650	-15.91	2,645.97
Check	1/10/2011		Bank Service Charge		401	-24.08	2,621.89
Check	1/10/2011	2932	American Express		-SPLIT-	-300.00	2,321.89
Deposit	1/12/2011		Deposit	Deposit	4601	758.46	3,080.35
Check	1/12/2011		Maverick		650	-39.81	3,040.54
Deposit	1/13/2011		Deposit	Deposit	4601	1,020.56	4,061.10
Check	1/13/2011		De Rosa PT		604	-20.00	4,041.10
Check	1/13/2011		Staples		681	-8.47	4,032.63
Check	1/13/2011		Sam's Club		681	-5.98	4,026.65
Check	1/13/2011	2938	Yavapai Title		303	-363.27	3,663.38
Check	1/13/2011	2942	Don Barnes		636	-63.00	3,600.38
Check	1/13/2011	2943	Rose Mary Barnes		636	-60.00	3,540.38
Check	1/14/2011		Walmart		620	-79.30	3,461.08
Check	1/14/2011		Camp Verde Feed		675	-52.10	3,408.98
Check	1/14/2011		Heartland		401	-35.61	3,373.37
Check	1/17/2011	2883	Chase Bank		-SPLIT-	-500.00	2,873.37
Check	1/17/2011	2953	Allstate		655	-182.05	2,691.32
Check	1/17/2011	2952	EMC Insurance Com...		655	-100.00	2,591.32
Check	1/17/2011	2882	Pitney Bowes		682	-50.00	2,541.32
Check	1/17/2011	2951	AFLAC		659	-89.70	2,451.62
Check	1/17/2011	2884	Coscto		650	-109.35	2,342.27
Check	1/17/2011	2947	Verde Valley Water U...		671	-25.00	2,317.27
Deposit	1/18/2011		Deposit	Deposit	4601	1,353.87	3,671.14
Check	1/18/2011		The Pit Stop		650	-35.40	3,635.74
Check	1/18/2011		Walmart		620	-32.83	3,602.91
Deposit	1/19/2011		Deposit	Deposit	4601	629.14	4,232.05
Check	1/19/2011		Staples		620	-88.32	4,143.73
Check	1/19/2011		Maverick		650	-31.03	4,112.70
Check	1/19/2011		Lincoln Benefit		604	-131.82	3,980.88
Check	1/19/2011		Lincoln Benefit		604	-18.03	3,962.85
Check	1/19/2011		Lincoln Benefit		604	-16.10	3,946.75
Check	1/20/2011		ABC		620	-68.65	3,878.10
Check	1/20/2011		Verizon Wireless		683	-32.82	3,845.28
Check	1/20/2011	2944	Patricia Arias		640	-1,000.00	2,845.28
Check	1/20/2011	2945	Patricia Arias		636	-515.22	2,330.06
Check	1/20/2011	2946	Patricia Arias		636	-108.39	2,221.67
Deposit	1/21/2011		Deposit	Deposit	4601	439.09	2,660.76
Check	1/21/2011	2949	APS		615	-467.26	2,193.50
Check	1/21/2011	2948	Verizon Wireless		683	-239.88	1,953.62
Check	1/21/2011	2950	American Express		-SPLIT-	-100.00	1,853.62
Check	1/21/2011	2930	Doug Fitzpatrick		631	-500.00	1,353.62
Check	1/24/2011		Maverick		650	-35.24	1,318.38
Check	1/24/2011		Coscto		650	-35.02	1,283.36



7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	1/24/2011		Denny's		675	-34.14	1,249.22
Check	1/24/2011		De Rosa PT		604	-20.00	1,229.22
Deposit	1/25/2011		Deposit		4601	264.84	1,494.06
Check	1/25/2011		Chevron		650	-15.63	1,478.43
Check	1/25/2011	2886	Patricia Arias		636	-228.14	1,250.29
Deposit	1/26/2011		Deposit		4601	502.09	1,752.38
Check	1/26/2011		Discount Tire		101	-209.67	1,542.71
Check	1/26/2011		la Parilla Suiza		675	-14.25	1,528.46
Check	1/27/2011	2885	Arizona Department ...		408	-533.27	995.19
Check	1/27/2011		Peter Piper		675	-25.23	969.96
Deposit	1/31/2011		Deposit		4601	159.78	1,129.74
Deposit	1/31/2011		Deposit		4601	67.14	1,196.88
Check	1/31/2011		Marathon		620	-92.85	1,104.03
Check	1/31/2011		Marathon		620	-13.03	1,091.00
Check	1/31/2011		Joan Shea		4601	-12.64	1,078.36
Check	1/31/2011		Sweet Tomatoes		675	-11.89	1,066.47
Check	1/31/2011		checker		650	-10.93	1,055.54
Check	1/31/2011		Bank Service Charge		401	-15.00	1,040.54
Deposit	2/1/2011		Deposit		4601	331.64	1,372.18
Check	2/1/2011		Maverick		650	-24.86	1,347.32
Check	2/1/2011		Heartland		401	-54.52	1,292.80
Check	2/2/2011		Maverick		650	-35.44	1,257.36
Check	2/3/2011		checker		650	-12.03	1,245.33
Check	2/3/2011	2887	Lincoln Benefit		604	-100.00	1,145.33
Deposit	2/4/2011		Deposit		4601	586.06	1,731.39
Check	2/4/2011		Joan Shea		4601	-4.15	1,727.24
Check	2/4/2011		Transfer to Account ...		235	-128.00	1,599.24
Check	2/4/2011	2895	Don Barnes		636	-104.50	1,494.74
Check	2/4/2011	2954	FMC		604	-50.00	1,444.74
Check	2/4/2011	2891	QWest		683	-39.99	1,404.75
Check	2/4/2011	2378	Doug Fitzpatrick		631	-500.00	904.75
Check	2/4/2011	2888	Bank of West		101	-195.19	709.56
Check	2/4/2011	2896	Taylor Waste		401	-49.44	660.12
Check	2/4/2011	2890	Yavapai Title		303	-363.27	296.85
Check	2/4/2011	2379	Western Technologie...		635	-200.00	96.85
Deposit	2/5/2011		Deposit		4601	170.45	267.30
Check	2/5/2011	2889	Perry Lin		604	-100.00	167.30
Check	2/6/2011	2955	QWest		683	-50.00	117.30
Check	2/7/2011		rimrock Storage		675	-70.00	47.30
Deposit	2/8/2011		Deposit		4601	1,210.72	1,258.02
Check	2/8/2011		Staples		620	-77.68	1,180.34
Check	2/9/2011		Coconino Motors		650	-247.78	932.56
Check	2/9/2011		Sam's Club		650	-40.33	892.23
Check	2/9/2011		Heartland		401	-35.61	856.62
Check	2/9/2011	2380	John Campbell		666	-256.68	599.94
Deposit	2/10/2011		Deposit		4601	976.54	1,576.48
Check	2/10/2011		Staples		620	-43.76	1,532.72
Check	2/10/2011		De Rosa PT		604	-20.00	1,512.72
Check	2/10/2011	2892	American Express		-SPLIT-	-200.00	1,312.72
Check	2/11/2011		Beaver Creek Gas St...		650	-10.05	1,302.67
Check	2/11/2011	2893	Hartford		655	-100.00	1,202.67
Deposit	2/14/2011		Deposit		4601	91.03	1,293.70
Deposit	2/14/2011		Deposit		4601	336.81	1,630.51
Check	2/14/2011		Home Depot		105	-94.69	1,535.82
Check	2/14/2011		Home Depot		105	-60.18	1,475.64
Check	2/14/2011		Coscto		650	-40.42	1,435.22
Check	2/14/2011		Maverick		650	-24.41	1,410.81
Deposit	2/15/2011		Deposit		4601	1,519.64	2,930.45
Check	2/15/2011		Hills Bros. Chem. Co.		618	-90.24	2,840.21
Check	2/15/2011	2894	Brandon Adame		636	-30.00	2,810.21
Deposit	2/16/2011		Deposit		4601	411.37	3,221.58
Check	2/16/2011	2956	Patricia Arias		-SPLIT-	-1,511.28	1,710.30
Check	2/16/2011	2957	Mesa Storage		675	-110.90	1,599.40
Check	2/17/2011		Coscto		650	-36.83	1,562.57
Check	2/17/2011		Lowe's		334	-16.71	1,545.86
Check	2/17/2011		Lincoln Benefit		604	-18.03	1,527.83
Check	2/17/2011		Lincoln Benefit		604	-16.10	1,511.73
Check	2/17/2011	2967	Chase Bank		-SPLIT-	-431.00	1,080.73
Check	2/17/2011	2961	Verizon Wireless		683	-225.38	855.35
Check	2/17/2011	2969	AAA Arizona		650	-140.00	715.35
Check	2/17/2011	2959	EMC Insurance Com...		655	-100.00	615.35
Check	2/17/2011	2958	Allstate		655	-177.01	438.34
Check	2/17/2011	2964	Pitney Bowes		682	-21.42	416.92
Check	2/17/2011	2963	MRWC		610	-65.86	351.06
Check	2/17/2011	2968	Pitney Bowes		682	-50.00	301.06
Check	2/17/2011	2960	Arizona B lue Stake		401	-25.00	276.06
Deposit	2/18/2011		Deposit		4601	575.57	851.63
Check	2/18/2011		Pet's Mart		Goat house	620	698.42

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	2/18/2011		Mcguireville Gas		650	-16.60	681.82
Check	2/18/2011	2972	Kim Delson		4601	-35.53	646.29
Deposit	2/22/2011		Deposit	Deposit	4601	256.00	902.29
Check	2/22/2011		ABC Distributing		340	-106.45	795.84
Check	2/22/2011	2966	bank of America		650	-102.00	693.84
Check	2/22/2011	2962	Kohl		620	-50.00	643.84
Deposit	2/23/2011		Deposit	Deposit	4601	460.51	1,104.35
Check	2/23/2011		Sam's Club		650	-43.18	1,061.17
Check	2/23/2011	2965	APS		615	-380.00	681.17
Deposit	2/24/2011		Deposit	Deposit	4601	603.09	1,284.26
Check	2/24/2011	2971	Arizona Department ...		408	-593.01	691.25
Check	2/24/2011		Cosco		650	-21.58	669.67
Deposit	2/25/2011		Deposit	Deposit	4601	498.36	1,168.03
Check	2/25/2011		Amazon		684	-52.21	1,115.82
Check	2/25/2011		schwan's		675	-23.55	1,092.27
Deposit	2/25/2011		Bank Transfer to Acc...	Deposit	235	200.00	1,292.27
Check	2/28/2011		Maverick		650	-21.96	1,270.31
Check	2/28/2011		Bank Service Charge		401	-15.00	1,255.31
Check	3/1/2011		Heartland		401	-63.39	1,191.92
Check	3/2/2011		Walmart		620	-50.71	1,141.21
Check	3/2/2011		Chevron		650	-28.84	1,112.37
Deposit	3/3/2011		Deposit	Deposit	4601	67.91	1,180.28
Check	3/4/2011		Ace Hardware		620	-116.93	1,063.35
Deposit	3/5/2011		Deposit	Deposit	4601	128.00	1,191.35
Deposit	3/6/2011		Deposit	Deposit	4601	782.50	1,973.85
Check	3/6/2011	2977	Don Barnes		636	-120.50	1,853.35
Check	3/6/2011	2979	Doug Fitzpatrick		631	-500.00	1,353.35
Check	3/6/2011	2980	Bank of West		101	-195.19	1,158.16
Check	3/6/2011	2973	QWest		683	-40.54	1,117.62
Check	3/6/2011	2981	Yavapai Title		303	-363.27	754.35
Check	3/6/2011	2974	Western Technologie...		635	-100.00	654.35
Check	3/6/2011	2982	Perry Lin		604	-152.03	502.32
Check	3/7/2011		Sam's Club		650	-40.20	462.12
Check	3/7/2011		Home Depot		620	-23.79	438.33
Check	3/7/2011		Embrid		620	-2.34	435.99
Deposit	3/8/2011		Deposit	Deposit	4601	80.58	516.57
Deposit	3/8/2011		Deposit	Deposit	4601	994.22	1,510.79
Check	3/8/2011		rimrock Storage		640	-70.00	1,440.79
Check	3/8/2011		Sam's Club		620	-68.70	1,372.09
Check	3/8/2011	2975	MRWC		610	-62.99	1,309.10
Check	3/9/2011		McDonalds		675	-9.90	1,299.20
Check	3/9/2011	2978	Canyon Pipe & Supply		334	-216.83	1,082.37
Deposit	3/10/2011		Deposit	Deposit	4601	951.24	2,033.61
Check	3/10/2011		Heartland		401	-35.58	1,998.03
Check	3/10/2011	2976	American Express		343	-100.00	1,898.03
Check	3/11/2011		FMC		604	-6.79	1,891.24
Deposit	3/14/2011		Deposit	Deposit	4601	267.27	2,158.51
Check	3/14/2011		Costco		650	-117.85	2,040.66
Check	3/14/2011		Home Depot		620	-87.45	1,953.21
Check	3/14/2011		Sam's Club		650	-46.07	1,907.14
Check	3/14/2011		Sam's Club		620	-35.03	1,872.11
Check	3/14/2011		Patricia Arias		636	-53.00	1,819.11
Check	3/14/2011		Sam's Club		650	-11.91	1,807.20
Deposit	3/15/2011		Deposit	Deposit	4601	1,955.21	3,762.41
Check	3/15/2011	2983	Patricia Arias		636	-185.00	3,577.41
Check	3/15/2011	2992	Chase Bank		-SPLIT-	-426.00	3,151.41
Check	3/15/2011	2989	Rimrock Mercantile		620	-100.00	3,051.41
Check	3/15/2011	2994	FMC		604	-50.00	3,001.41
Check	3/15/2011	3000	Patricia Arias		636	-300.00	2,701.41
Check	3/15/2011	2998	Patricia Arias		-SPLIT-	-1,511.28	1,190.13
Check	3/15/2011	2985	Allstate		655	-176.54	1,013.59
Check	3/15/2011	2995	Brandon Adame		636	-20.00	993.59
Check	3/15/2011	2997	Arizona Department ...		408	-604.96	388.63
Check	3/15/2011	2991	USA BlueBook		620	-80.89	307.74
Check	3/15/2011	2993	Pitney Bowes		682	-21.42	286.32
Check	3/15/2011	2986	EMC Insurance Com...		655	-150.00	136.32
Check	3/15/2011	2996	AFLAC		659	-146.70	-10.38
Check	3/15/2011	2987	Western Technologie...		635	-100.00	-110.38
Deposit	3/15/2011		Deposit	Deposit	4601	1,325.79	1,215.41
Check	3/16/2011		QWest		683	-60.00	1,155.41
Check	3/17/2011		Verizon Wireless		683	-89.00	1,066.41
Check	3/17/2011		Verizon Wireless		683	-65.60	1,000.81
Check	3/17/2011		ABC		620	-27.75	973.06
Check	3/17/2011		Lincoln Benefit		604	-18.03	955.03
Check	3/17/2011		Lincoln Benefit		604	-16.10	938.93
Check	3/20/2011		Inkproducts		684	-119.00	819.93
Deposit	3/21/2011		Deposit	Deposit	4601	417.51	1,237.44
Deposit	3/21/2011		Deposit	Deposit	4601	414.11	1,651.55

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	3/21/2011		Home Depot		620	-75.42	1,576.13
Check	3/21/2011		Maverick		650	-29.75	1,546.38
Check	3/21/2011		Reprographics		681	-6.30	1,540.08
Check	3/21/2011	2990	Verizon Wireless		683	-223.11	1,316.97
Check	3/21/2011	2984	Kohl		620	-50.00	1,266.97
Check	3/22/2011		Sam's Club		650	-40.33	1,226.64
Check	3/22/2011	2988	Patricia Arias		636	-185.00	1,041.64
Check	3/22/2011	3001	Canyon Pipe & Supply		334	-299.50	742.14
Check	3/22/2011	3003	Pitney Bowes		682	-75.00	667.14
Check	3/23/2011		Beaver Creek Gas St...		650	-10.38	656.76
Check	3/24/2011	3002	APS		615	-414.18	242.58
Deposit	3/25/2011		Deposit	Deposit	4601	514.09	756.67
Check	3/25/2011		Sam's Club		650	-47.80	708.87
Check	3/28/2011		Staples		620	-89.50	619.37
Check	3/28/2011		Patricia Arias		636	-30.66	588.71
Deposit	3/29/2011		Deposit	Deposit	4601	32.60	621.31
Deposit	3/30/2011		Deposit	Deposit	4601	30.00	651.31
Deposit	3/30/2011		Deposit	Deposit	4601	666.61	1,317.92
Check	3/30/2011		Chevron		650	-10.05	1,307.87
Check	3/31/2011		Amazon		684	-88.48	1,219.39
Check	3/31/2011		Maverick		650	-14.67	1,204.72
Check	3/31/2011		Bank Service Charge		401	-15.00	1,189.72
Check	4/1/2011		Sam's Club		650	-41.93	1,147.79
Check	4/1/2011		Heartland		401	-57.31	1,090.48
Check	4/4/2011		Home Depot		620	-108.31	982.17
Check	4/4/2011		Walmart		620	-37.16	945.01
Check	4/4/2011		Giant		650	-20.04	924.97
Deposit	4/5/2011		Deposit	Deposit	4601	1,505.27	2,430.24
Deposit	4/5/2011		Deposit	Deposit	4601	1,274.86	3,705.10
Check	4/5/2011		Sam's Club		650	-44.12	3,660.98
Check	4/5/2011	2027	Don Barnes		636	-131.00	3,529.98
Check	4/5/2011	2033	John Campbell		666	-200.00	3,329.98
Check	4/5/2011	2024	Canyon Pipe & Supply		331	-150.00	3,179.98
Check	4/5/2011	2022	Canyon Pipe & Supply		331	-17.34	3,162.64
Check	4/5/2011	2026	American Express	-SPLIT-		-100.00	3,062.64
Check	4/5/2011	2020	Pitney Bowes		682	-50.00	3,012.64
Check	4/5/2011	2023	Yavapai Title		303	-363.27	2,649.37
Check	4/5/2011	2030	Monte Voepel		636	-335.29	2,314.08
Check	4/5/2011	2028	Pharmacists Mutual		655	-209.50	2,104.58
Check	4/5/2011	2021	Bank of West		650	-195.19	1,909.39
Check	4/5/2011	2029	Doug Fitzpatrick		631	-500.00	1,409.39
Check	4/5/2011	2031	Patricia Arias		675	-24.00	1,385.39
Check	4/5/2011	2032	QWest		683	-50.00	1,335.39
Deposit	4/6/2011		Deposit	Deposit	4601	115.22	1,450.61
Check	4/6/2011		IOR		620	-36.89	1,413.72
Deposit	4/7/2011		Deposit	Deposit	4601	48.56	1,462.28
Check	4/7/2011		rimrock Storage		640	-60.00	1,402.28
Check	4/8/2011		Sam's Club		650	-39.81	1,362.47
Deposit	4/11/2011		Deposit	Deposit	4601	893.13	2,255.60
Deposit	4/11/2011		Deposit	Deposit	4601	128.00	2,383.60
Check	4/11/2011		Staples		620	-56.40	2,327.20
Check	4/11/2011		Maverick		650	-46.26	2,280.94
Check	4/11/2011		Tavern Grill		675	-34.88	2,246.06
Deposit	4/13/2011		Deposit	Deposit	4601	1,112.98	3,359.04
Check	4/13/2011		USA BlueBook		320	-146.21	3,212.83
Check	4/13/2011		Walmart		620	-101.00	3,111.83
Check	4/13/2011		crusty's		650	-12.72	3,099.11
Deposit	4/14/2011		Deposit	Deposit	4601	480.60	3,579.71
Check	4/14/2011		QWest		683	-40.00	3,539.71
Deposit	4/14/2011		Account Deposit	Deposit	235	128.00	3,667.71
Deposit	4/15/2011		Deposit	Deposit	4601	71.20	3,738.91
Deposit	4/15/2011		Deposit	Deposit	4601	527.13	4,266.04
Check	4/15/2011		Hills Bros. Chem. Co.		618	-122.80	4,143.24
Check	4/15/2011		Sam's Club		650	-51.25	4,091.99
Check	4/15/2011		La Canasta		675	-21.36	4,070.63
Check	4/15/2011	2035	Patricia Arias		640	-356.83	3,713.80
Check	4/17/2011	2047	EMC Insurance Com...		655	-100.00	3,613.80
Check	4/17/2011	2049	Arizona Department ...		408	-540.26	3,073.54
Check	4/17/2011	2039	Chase Bank	-SPLIT-		-393.00	2,680.54
Check	4/17/2011	2044	Kohl		620	-100.00	2,580.54
Check	4/17/2011	2037	Allstate		655	-176.54	2,404.00
Check	4/17/2011	2045	AFLAC		659	-89.70	2,314.30
Check	4/17/2011	2036	Pitney Bowes		682	-50.00	2,264.30
Check	4/17/2011	2040	Pitney Bowes		682	-21.42	2,242.88
Check	4/17/2011	2046	QWest		683	-39.99	2,202.89
Check	4/17/2011	2041	Western Technologie...		635	-100.00	2,102.89
Deposit	4/18/2011		Deposit	Deposit	4601	1,215.28	3,318.17
Deposit	4/18/2011		Deposit	Deposit	4601	1,099.56	4,417.73

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	4/18/2011		Sam's Club		650	-62.87	4,354.86
Check	4/18/2011		Embrid		620	-10.40	4,344.46
Check	4/19/2011		Lincoln Benefit		604	-18.03	4,326.43
Check	4/19/2011		Lincoln Benefit		604	-16.10	4,310.33
Check	4/20/2011	2043	APS		615	-478.05	3,832.28
Check	4/20/2011		Patricia Arias		-SPLIT-	-1,511.28	2,321.00
Check	4/20/2011	2048	Verizon Wireless		683	-223.12	2,097.88
Cneck	4/21/2011		Sam's Club		650	-44.27	2,053.61
Check	4/21/2011		Peter Piper		675	-36.93	2,016.68
Check	4/21/2011		Beaver Creek Gas St...		650	-17.66	1,999.02
Check	4/21/2011	2042	bank of America		331	-200.00	1,799.02
Check	4/22/2011	2038	Patricia Arias		636	-185.00	1,614.02
Deposit	4/25/2011		Deposit	Deposit	4601	130.00	1,744.02
Deposit	4/25/2011		Deposit	Deposit	4601	900.82	2,644.84
Check	4/25/2011		USA BlueBook		331	-232.71	2,412.13
Check	4/25/2011		Sam's Club		620	-87.22	2,324.91
Check	4/25/2011		Sam's Club		650	-53.50	2,271.41
Check	4/25/2011		USPS		682	-43.02	2,228.39
Check	4/25/2011		Patricia Arias		620	-22.93	2,205.46
Check	4/25/2011		Beaver Creek Gas St...		650	-8.87	2,196.59
Check	4/26/2011		Bank Service Charge		401	-128.00	2,068.59
Check	4/27/2011		Bank Service Charge		401	-32.00	2,036.59
Check	4/27/2011	2047	MRWC		610	-90.11	1,946.48
Deposit	4/28/2011		Deposit	Deposit	4601	232.34	2,178.82
Check	4/28/2011		Sam's Club		650	-46.02	2,132.80
Check	4/28/2011		The Pit Stop		650	-38.69	2,094.11
Check	4/28/2011		McDonalds		675	-7.68	2,086.43
Deposit	4/28/2011		Deposit	Deposit	4601	390.71	2,477.14
Check	4/29/2011		Bank Service Charge		401	-15.00	2,462.14
Check	4/29/2011		Bank Service Charge		401	-15.00	2,447.14
Check	5/2/2011		Sam's Club		650	-47.04	2,400.10
Check	5/2/2011		Heartland		401	-64.49	2,335.61
Check	5/2/2011	3004	Ross D. Jacobs		408.1	-488.04	1,847.57
Deposit	5/3/2011		Deposit	Deposit	4601	331.30	2,178.87
Check	5/3/2011		Lincoln Benefit		604	-100.00	2,078.87
Check	5/4/2011		Ross D. Jacobs		408.1	-230.67	1,848.20
Check	5/4/2011		Sam's Club		650	-49.41	1,798.79
Check	5/4/2011		Ross D. Jacobs		408.1	-5.77	1,793.02
Check	5/5/2011		rimrock Storage		636	-70.00	1,723.02
Check	5/6/2011		Beaver Creek Gas St...		650	-15.40	1,707.62
Check	5/6/2011		Maverick		650	-20.35	1,687.27
Deposit	5/8/2011		Deposit	Deposit	4601	1,267.48	2,954.75
Check	5/8/2011	2058	Rimrock Mercantile		620	-93.97	2,860.78
Check	5/8/2011	2051	Yavapai Title		303	-363.27	2,497.51
Check	5/8/2011	2052	Bank of West		650	-195.19	2,302.32
Check	5/8/2011	2053	Collingwood Pumps, I..		330	-476.11	1,826.21
Check	5/8/2011	2054	Doug Fitzpatrick		631	-500.00	1,326.21
Check	5/8/2011	2055	Taylor Waste		681	-50.40	1,275.81
Check	5/8/2011	2056	Pitney Bowes		682	-21.42	1,254.39
Check	5/9/2011		Returned Check		4601	-20.35	1,234.04
Check	5/9/2011		Warner's Nursery		620	-16.41	1,217.63
Deposit	5/10/2011		Deposit	Deposit	4601	47.22	1,264.85
Check	5/10/2011		Inkproducts		684	-29.94	1,234.91
Check	5/10/2011		Costco		650	-50.80	1,184.11
Check	5/10/2011		Inkproducts		684	-80.22	1,103.89
Deposit	5/11/2011		Deposit	Deposit	4601	16.33	1,120.22
Deposit	5/11/2011		Deposit	Deposit	4601	681.05	1,801.27
Check	5/12/2011	2053	American Express		620	-100.00	1,701.27
Deposit	5/13/2011		Deposit	Deposit	4601	814.14	2,515.41
Check	5/13/2011		Beaver Creek Gas St...		650	-2.65	2,512.76
Check	5/13/2011		la Parilla Suiza		675	-14.98	2,497.78
Deposit	5/16/2011		Deposit	Deposit	4601	172.17	2,669.95
Deposit	5/16/2011		Deposit	Deposit	4601	1,137.01	3,806.96
Check	5/16/2011		Chevron		650	-20.13	3,786.83
Check	5/16/2011		Costco		650	-30.11	3,756.72
Deposit	5/17/2011		Deposit	Deposit	4601	43.09	3,799.81
Check	5/17/2011		Sam's Club		650	-33.17	3,766.64
Check	5/17/2011		Lincoln Benefit		604	-16.10	3,750.54
Check	5/17/2011		Lincoln Benefit		604	-18.03	3,732.51
Check	5/18/2011		la Parilla Suiza		675	-22.89	3,709.62
Check	5/18/2011	2069	Chase Bank		-SPLIT-	-438.00	3,271.62
Check	5/18/2011	2066	QWest		683	-39.99	3,231.63
Check	5/18/2011	2068	Allstate		655	-176.54	3,055.29
Check	5/18/2011	2065	MVD		650	-216.65	2,838.64
Check	5/18/2011	2070	Arizona Department ...		408	-374.84	2,463.80
Deposit	5/19/2011		Deposit	Deposit	4601	359.38	2,823.18
Check	5/19/2011		Beaver Creek Gas St...		650	-20.07	2,803.11
Check	5/19/2011	2059	Patricia Anas		-SPLIT-	-1,511.28	1,291.83

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC
General Ledger
As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Deposit	5/20/2011		Deposit	Deposit	4601	496.03	1,787.86
Deposit	5/23/2011		Deposit	Deposit	4601	260.30	2,048.16
Check	5/23/2011		Walgreens		675	-14.22	2,033.94
Check	5/23/2011		Kohl		620	-15.30	2,018.64
Check	5/23/2011		Home Depot		620	-65.57	1,953.07
Check	5/23/2011		Home Depot		620	-72.36	1,880.71
Check	5/23/2011	2063	Kohl		620	-50.00	1,830.71
Check	5/23/2011	2067	Verizon Wireless		683	-220.71	1,610.00
Check	5/23/2011	2061	APS		615	-496.06	1,113.94
Check	5/23/2011	2062	AFLAC		659	-105.24	1,008.70
Check	5/24/2011		QWest		683	-60.00	948.70
Check	5/24/2011		Patricia Arias		636	-100.00	848.70
Check	5/24/2011	2060	Hartford		655	-50.00	798.70
Deposit	5/25/2011		Deposit	Deposit	4601	393.73	1,192.43
Check	5/25/2011		Napa		650	-16.57	1,175.86
Check	5/25/2011		China Buffet		675	-30.43	1,145.43
Check	5/25/2011	2071	Laurie Robinson		636	-50.00	1,095.43
Check	5/26/2011		Sam's Club		650	-39.48	1,055.97
Deposit	5/27/2011		Deposit	Deposit	4601	151.00	1,206.97
Deposit	5/27/2011		Deposit	Deposit	4601	487.31	1,694.28
Check	5/27/2011		Coscto		650	-42.90	1,651.38
Check	5/27/2011		Beaver Creek Gas St...		650	-20.00	1,631.38
Deposit	5/31/2011		Deposit	Deposit	4601	96.63	1,728.01
Check	5/31/2011		Chevron		650	-20.27	1,707.74
Check	5/31/2011		Pet's Mart	Goat collars	620	-27.99	1,679.75
Check	5/31/2011		Beaver Creek Gas St...		650	-49.68	1,630.07
Check	5/31/2011		Bank Service Charge		401	-15.00	1,615.07
Check	5/31/2011		Bank Service Charge		401	-15.00	1,600.07
Check	6/1/2011		Returned Check	L Adams	4601	-63.00	1,537.07
Check	6/1/2011		Bank Service Charge		401	-8.00	1,529.07
Check	6/1/2011		Sam's Club		650	-41.90	1,487.17
Check	6/1/2011		Heartland		680	-57.67	1,429.50
Check	6/1/2011		Lincoln Benefit		604	-100.00	1,329.50
Check	6/1/2011		Score Sense		636	-1.00	1,328.50
Deposit	6/6/2011		Heartland	Deposit	680	61.49	1,389.99
Deposit	6/6/2011		Deposit	Deposit	4601	502.20	1,892.19
Deposit	6/6/2011		Deposit	Deposit	4601	1,170.72	3,062.91
Check	6/6/2011		Staples		685	-45.95	3,016.96
Check	6/6/2011		Sam's Club		650	-48.02	2,968.94
Check	6/6/2011	2079	Don Barnes		636	-112.00	2,856.94
Check	6/6/2011	2072	Kooiman Realty	#30703	4601	-58.75	2,798.19
Check	6/6/2011		Canyon Pipe & Supply		620	-200.00	2,598.19
Check	6/6/2011	2074	Bridgeport Financial	#36604	4601	-38.48	2,559.71
Check	6/6/2011	2081	Bank of West		650	-195.19	2,364.52
Check	6/6/2011	2082	Sonora Quest Lab		604	-32.17	2,332.35
Check	6/6/2011	2083	Northern Arizona Ortho		604	-31.32	2,301.03
Check	6/6/2011	2080	American Express		620	-100.00	2,201.03
Check	6/6/2011	2073	Desert 2 Mountain	#15803	4601	-71.91	2,129.12
Check	6/6/2011	2075	Maria Machado	54503	4601	-37.88	2,091.24
Check	6/6/2011	2077	Yavapai Title		303	-363.27	1,727.97
Check	6/6/2011	2078	Doug Fitzpatrick		631	-500.00	1,227.97
Check	6/7/2011		rimrock Storage		408.1	-70.00	1,157.97
Deposit	6/7/2011		Deposit	Deposit	4601	759.63	1,917.60
Check	6/9/2011		Texaco		650	-10.02	1,907.58
Check	6/9/2011		Sam's Club		650	-48.24	1,859.34
Deposit	6/9/2011		Deposit	Deposit	4601	30.31	1,889.65
Deposit	6/9/2011		Deposit	Deposit	4601	32.42	1,922.07
Deposit	6/13/2011		Deposit	Deposit	4601	812.12	2,734.19
Deposit	6/13/2011		Deposit	Deposit	4601	1,024.64	3,758.83
Check	6/13/2011		Maverick		650	-21.47	3,737.36
Check	6/13/2011		Maverick		650	-25.06	3,712.30
Deposit	6/13/2011		Deposit	Deposit	4601	912.92	4,625.22
Check	6/13/2011	2086	L&M Services		636	-65.00	4,560.22
Check	6/14/2011		The Pit Stop		650	-35.30	4,524.92
Check	6/15/2011		Coscto		650	-34.25	4,490.67
Check	6/15/2011		Coscto		650	-58.16	4,432.51
Deposit	6/16/2011		Deposit	Heartland	4601	88.00	4,520.51
Deposit	6/16/2011		Deposit	Deposit	4601	606.02	5,126.53
Check	6/16/2011		Score Sense		636	-29.95	5,096.58
Check	6/16/2011		Hills Bros. Chem. Co.		618	-117.72	4,978.86
Check	6/16/2011		Patricia Arias		675	-46.01	4,932.85
Check	6/16/2011	2087	Patricia Arias	-SPLIT-		-1,511.28	3,421.57
Check	6/17/2011		Lincoln Benefit		604	-16.10	3,405.47
Check	6/17/2011		Lincoln Benefit		604	-18.03	3,387.44
Check	6/19/2011	2096	Chase Bank		4601	-391.00	2,996.44
Check	6/19/2011	2105	John Campbell		666	-200.00	2,796.44
Check	6/19/2011	2095	Collingwood Pumps, L...		636	-121.61	2,674.83
Check	6/19/2011	2097	Allstate		655	-176.54	2,498.29

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	6/19/2011	2102	Arizona Department ...		408	-562.77	1,935.52
Check	6/19/2011	2098	EMC Insurance Com...		655	-100.00	1,835.52
Check	6/19/2011	2099	Rimrock Mercantile		620	-100.00	1,735.52
Check	6/19/2011	2106	core utilities		671	-250.00	1,485.52
Check	6/19/2011	2090	Kohl		620	-50.00	1,435.52
Check	6/19/2011	2091	Verizon Wireless		683	-220.71	1,214.81
Check	6/19/2011	2092	AFLAC		659	-146.70	1,068.11
Check	6/19/2011	2093	Pitney Bowes		682	-21.42	1,046.69
Check	6/19/2011	2103	Patricia Arias		636	-185.00	861.69
Check	6/19/2011	2104	USPS		682	-50.00	811.69
Check	6/19/2011	2101	YCSO		600	-84.80	726.89
Check	6/19/2011	2104	Pitney Bowes		682	-50.00	676.89
Check	6/19/2011	2108	MRWC		610	-102.17	574.72
Check	6/19/2011	2107	Western Technolog...		635	-200.00	374.72
Check	6/19/2011	2109	BCCDC		636	-150.00	224.72
Deposit	6/20/2011		Deposit	Heartland	4601	198.25	422.97
Deposit	6/20/2011		Deposit	Deposit	4601	490.93	913.90
Check	6/20/2011		Coscto		650	-25.56	888.34
Check	6/20/2011		Staples		685	-54.71	833.63
Deposit	6/21/2011		Deposit	Deposit	4601	391.84	1,225.47
Deposit	6/22/2011		Deposit	Heartland	4601	91.49	1,316.96
Check	6/22/2011		Sam's Club		650	-47.02	1,269.94
Check	6/22/2011	2100	APS		615	-567.67	702.27
Check	6/22/2011	2094	QWest		683	-39.99	662.28
Check	6/23/2011		Beaver Creek Gas St...		650	-10.97	651.31
Check	6/23/2011		Texaco		650	-15.31	636.00
Check	6/23/2011	2090	Patricia Arias		636	-208.00	428.00
Deposit	6/24/2011		Deposit	Deposit	4601	678.59	1,106.59
Check	6/24/2011		Deposit	Heartland	4601	-32.63	1,073.96
Deposit	6/24/2011		Deposit	Deposit	4601	32.63	1,106.59
Deposit	6/27/2011		Deposit	Deposit	4601	257.70	1,364.29
Deposit	6/27/2011		Deposit	Deposit	4601	320.88	1,685.17
Check	6/27/2011		Dubber toner		685	-5.45	1,679.72
Check	6/27/2011		Walmart		620	-7.09	1,672.63
Check	6/27/2011		Reprographics		681	-19.96	1,652.67
Check	6/27/2011		Maverick		650	-43.12	1,609.55
Check	6/27/2011		Central Press		680	-170.95	1,438.60
Check	6/28/2011		Coscto		650	-13.05	1,425.55
Check	6/29/2011		Patricia Arias		620	-14.17	1,411.38
Check	6/29/2011		Reprographics		681	-21.01	1,390.37
Deposit	6/29/2011		Deposit	Deposit	4601	463.57	1,853.94
Check	6/30/2011		Bank Service Charge		401	-15.00	1,838.94
Check	6/30/2011		Bank Service Charge		401	-15.00	1,823.94
Check	7/1/2011		Heartland	Fees	680	-66.20	1,757.74
Deposit	7/1/2011		Deposit	Deposit	4601	1,314.31	3,072.05
Check	7/5/2011		Giant		650	-23.12	3,048.93
Check	7/5/2011		Starbucks		620	-25.96	3,022.97
Check	7/5/2011		Tim Meyer		636	-80.00	2,942.97
Check	7/5/2011		Lincoln Benefit		604	-100.00	2,842.97
Check	7/5/2011	2111	Collingwood Pumps, I...		636	-202.50	2,640.47
Check	7/5/2011	2115	Doug Fitzpatrick		631	-500.00	2,140.47
Check	7/6/2011		rimrock Storage		408.1	-70.00	2,070.47
Deposit	7/7/2011		Deposit	Heartland	4601	128.00	2,198.47
Check	7/7/2011		Maverick		650	-31.41	2,167.06
Check	7/7/2011		Home Depot		620	-44.82	2,122.24
Check	7/7/2011	2116	Rose Mary Barnes		636	-72.50	2,049.74
Check	7/7/2011	2117	Don Barnes		636	-94.50	1,955.24
Check	7/7/2011	2110	American Express		620	-100.00	1,855.24
Check	7/7/2011	2112	Bank of West		650	-195.19	1,660.05
Check	7/7/2011	2113	Yavapai Title		303	-363.27	1,296.78
Check	7/7/2011	2114	Pharmacists Mutual		650	-214.50	1,082.28
Deposit	7/8/2011		Deposit	Deposit	4601	1,366.23	2,448.51
Check	7/9/2011	2118	L&M Services		636	-39.00	2,409.51
Check	7/11/2011		Concentra		604	-20.00	2,389.51
Check	7/11/2011		QT		650	-29.40	2,360.11
Deposit	7/12/2011		Deposit	Heartland	4601	205.36	2,565.47
Deposit	7/12/2011		Deposit	Deposit	4601	1,110.90	3,676.37
Check	7/13/2011		Maverick		650	-46.56	3,629.81
Deposit	7/14/2011		Deposit	Deposit	4601	1,384.37	5,014.18
Check	7/14/2011		Yavapai County		680	-243.13	4,771.05
Check	7/15/2011		Score Sense		636	-29.95	4,741.10
Check	7/15/2011		Maverick		650	-45.03	4,696.07
Check	7/17/2011		Maverick		650	-45.03	4,651.04
Deposit	7/18/2011		Deposit	Deposit	4601	919.11	5,570.15
Check	7/18/2011		Staples		680	-40.47	5,529.68
Check	7/18/2011		Camp Verde Feed		675	-40.81	5,488.87
Check	7/18/2011		Patricia Arias		-SPLIT-	-1,800.00	3,688.87
Deposit	7/19/2011		Deposit	Deposit	4601	1,139.57	4,828.44

7:44 AM

09/20/11

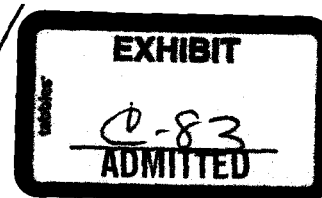
Accrual Basis

Montezuma Rimrock Water Company LLC
General Ledger
As of August 1, 2011

Type	Date	Num	Name	Memo	Split	Amount	Balance
Check	7/19/2011		QT		650	-44.53	4,783.91
Check	7/19/2011		Lincoln Benefit		604	-16.10	4,767.81
Check	7/19/2011		Lincoln Benefit		604	-18.03	4,749.78
Deposit	7/19/2011		Deposit	Heartland	4601	84.37	4,834.15
Check	7/19/2011	2136	Chase Bank		620	-389.00	4,445.15
Check	7/19/2011	2126	APS		615	-596.19	3,848.96
Check	7/19/2011	2133	Collingwood Pumps, L...		636	-441.67	3,407.29
Check	7/19/2011	2139	QWest		683	-154.79	3,252.50
Check	7/19/2011	2129	Patricia Arias		636	-205.00	3,047.50
Check	7/19/2011	2124	Arizona Department ...		408	-649.59	2,397.91
Check	7/19/2011	2128	Concentra		604	-4.95	2,392.96
Check	7/19/2011	2132	Allstate		655	-97.22	2,295.74
Check	7/19/2011	2137	Allstate		655	-94.66	2,201.08
Check	7/19/2011	2127	Kohl		675	-50.00	2,151.08
Check	7/19/2011	2130	Hartford		655	-50.00	2,101.08
Check	7/19/2011	2120	Verizon Wireless		683	-219.12	1,881.96
Check	7/19/2011	2121	QWest		683	-39.99	1,841.97
Check	7/19/2011	2125	AFLAC		659	-89.70	1,752.27
Check	7/19/2011	2131	EMC Insurance Com...		655	-100.00	1,652.27
Check	7/19/2011	2138	QWest		683	-154.79	1,497.48
Check	7/19/2011	2135	MVD		650	-68.38	1,429.10
Check	7/19/2011	2122	Pitney Bowes		682	-50.00	1,379.10
Check	7/19/2011	2123	RB-LB		636	-200.00	1,179.10
Check	7/19/2011	2119	Pitney Bowes		682	-21.42	1,157.68
Check	7/19/2011	2134	Western Technolog...		635	-200.00	957.68
Deposit	7/22/2011		Deposit	Heartland	4601	99.82	1,057.50
Deposit	7/22/2011		Deposit	Deposit	4601	315.47	1,372.97
Check	7/22/2011		Verde Valley Justice ...		675	-24.00	1,348.97
Check	7/22/2011		Coscto		650	-34.02	1,314.95
Check	7/22/2011		Maverick		650	-45.88	1,269.07
Deposit	7/25/2011		Deposit	Deposit	4601	450.38	1,719.45
Check	7/25/2011		Sam's Club		650	-49.66	1,669.79
Check	7/25/2011		Best Buy		620	-218.87	1,450.92
Check	7/26/2011		Coscto		650	-32.21	1,418.71
Check	7/26/2011		Coscto		650	-32.28	1,386.43
Deposit	7/26/2011		Deposit	Deposit	4601	337.52	1,723.95
Check	7/28/2011		Texaco		650	-24.49	1,699.46
Check	7/28/2011		Patricia Arias		636	-55.35	1,644.11
Check	7/28/2011		Home Depot		620	-107.78	1,536.33
Check	7/29/2011		Sam's Club		650	-30.21	1,506.12
Deposit	8/1/2011		Deposit	Deposit	4601	193.48	1,699.60
Deposit	8/1/2011		Deposit	Deposit	4601	530.19	2,229.79
Check	8/1/2011		Verde Valley Justice ...		620	-24.00	2,205.79
Check	8/1/2011		Walmart		620	-47.79	2,158.00
Check	8/1/2011		Maverick		650	-55.43	2,102.57
Check	8/1/2011		Heartland		680	-60.43	2,042.14
Total Chase Bank Checking						559.88	2,042.14
Checking - Meter Deposits							782.40
Total Checking - Meter Deposits							782.40
Checking - Account Deposit							383.64
Total Checking - Account Deposit							383.64
Checking - Hookup							1,500.38
Total Checking - Hookup							1,500.38
141							0.00
143							0.00
Total 143							0.00
141 - Other							0.00
Total 141 - Other							0.00
Total 141							0.00
Accounts Receivable/Customers							0.00
Total Accounts Receivable/Customers							0.00
151							377.01
Total 151							377.01
174							0.00
Total 174							0.00
Accrued Receivables							-3,248.51
Total Accrued Receivables							-3,248.51

7:44 AM
09/20/11
Accrual Basis

Montezuma Rimrock Water Company LLC
General Ledger
As of August 1, 2011



Type	Date	Num	Name	Memo	Split	Amount	Balance
635							0.00
Check	2/4/2011	2379	Western Technologie...		Chase Bank Ch...	200.00	200.00
Check	3/6/2011	2974	Western Technologie...		Chase Bank Ch...	100.00	300.00
Check	3/15/2011	2987	Western Technologie...		Chase Bank Ch...	100.00	400.00
Check	4/17/2011	2041	Western Technologie...		Chase Bank Ch...	100.00	500.00
Check	6/19/2011	2107	Western Technologie...		Chase Bank Ch...	200.00	700.00
Check	7/19/2011	2134	Western Technologie...		Chase Bank Ch...	200.00	900.00
Total 635						900.00	900.00
636							0.00
Check	1/7/2011		rimrock Storage		Chase Bank Ch...	70.00	70.00
Check	1/13/2011	2942	Don Barnes		Chase Bank Ch...	63.00	133.00
Check	1/13/2011	2943	Rose Mary Barnes		Chase Bank Ch...	60.00	193.00
Check	1/20/2011	2945	Patricia Arias		Chase Bank Ch...	515.22	708.22
Check	1/20/2011	2946	Patricia Arias		Chase Bank Ch...	108.39	816.61
Check	1/25/2011	2886	Patricia Arias		Chase Bank Ch...	228.14	1,044.75
Check	2/4/2011	2895	Don Barnes		Chase Bank Ch...	104.50	1,149.25
Check	2/15/2011	2894	Brandon Adame		Chase Bank Ch...	30.00	1,179.25
Check	2/16/2011	2956	Patricia Arias		Chase Bank Ch...	711.28	1,890.53
Check	3/6/2011	2977	Don Barnes		Chase Bank Ch...	120.50	2,011.03
Check	3/14/2011		Patricia Arias		Chase Bank Ch...	53.00	2,064.03
Check	3/15/2011	2983	Patricia Arias		Chase Bank Ch...	185.00	2,249.03
Check	3/15/2011	3000	Patricia Arias		Chase Bank Ch...	300.00	2,549.03
Check	3/15/2011	2998	Patricia Arias		Chase Bank Ch...	711.28	3,260.31
Check	3/15/2011	2995	Brandon Adame		Chase Bank Ch...	20.00	3,280.31
Check	3/22/2011	2988	Patricia Arias		Chase Bank Ch...	185.00	3,465.31
Check	3/28/2011		Patricia Arias		Chase Bank Ch...	30.66	3,495.97
Check	4/5/2011	2027	Don Barnes		Chase Bank Ch...	131.00	3,626.97
Check	4/5/2011	2030	Monte Voepel		Chase Bank Ch...	335.29	3,962.26
Check	4/17/2011	2039	Chase Bank		Chase Bank Ch...	100.00	4,062.26
Check	4/20/2011		Patricia Arias		Chase Bank Ch...	711.28	4,773.54
Check	4/22/2011	2038	Patricia Arias		Chase Bank Ch...	185.00	4,958.54
Check	5/5/2011		rimrock Storage		Chase Bank Ch...	70.00	5,028.54
Check	5/19/2011	2059	Patricia Arias		Chase Bank Ch...	711.28	5,739.82
Check	5/24/2011		Patricia Arias		Chase Bank Ch...	100.00	5,839.82
Check	5/25/2011	2071	Laurie Robinson		Chase Bank Ch...	50.00	5,889.82
Check	6/1/2011		Score Sense		Chase Bank Ch...	1.00	5,890.82
Check	6/6/2011	2079	Don Barnes		Chase Bank Ch...	112.00	6,002.82
Check	6/13/2011	2086	L&M Services		Chase Bank Ch...	65.00	6,067.82
Check	6/16/2011		Score Sense		Chase Bank Ch...	29.95	6,097.77
Check	6/16/2011	2087	Patricia Arias		Chase Bank Ch...	711.28	6,809.05
Check	6/19/2011	2095	Collingwood Pumps, I...		Chase Bank Ch...	121.61	6,930.66
Check	6/19/2011	2103	Patricia Arias		Chase Bank Ch...	185.00	7,115.66
Check	6/19/2011	2109	BCCDC		Chase Bank Ch...	150.00	7,265.66
Check	6/23/2011	2090	Patricia Arias		Chase Bank Ch...	208.00	7,473.66
Check	7/5/2011		Tim Meyer		Chase Bank Ch...	80.00	7,553.66
Check	7/5/2011	2111	Collingwood Pumps, I...		Chase Bank Ch...	202.50	7,756.16
Check	7/7/2011	2116	Rose Mary Barnes		Chase Bank Ch...	72.50	7,828.66
Check	7/7/2011	2117	Don Barnes		Chase Bank Ch...	94.50	7,923.16
Check	7/9/2011	2118	L&M Services		Chase Bank Ch...	39.00	7,962.16
Check	7/15/2011		Score Sense		Chase Bank Ch...	29.95	7,992.11
Check	7/18/2011		Patricia Arias		Chase Bank Ch...	900.00	8,892.11
Check	7/19/2011	2133	Collingwood Pumps, I...		Chase Bank Ch...	441.67	9,333.78
Check	7/19/2011	2129	Patricia Arias		Chase Bank Ch...	205.00	9,538.78
Check	7/19/2011	2123	RB-LB		Chase Bank Ch...	200.00	9,738.78
Check	7/28/2011		Patricia Arias		Chase Bank Ch...	55.35	9,794.13
Total 636						9,794.13	9,794.13
640							0.00
641							0.00
Total 641							0.00
640 - Other							0.00
Check	1/20/2011	2944	Patricia Arias		Chase Bank Ch...	1,000.00	1,000.00
Check	2/16/2011	2956	Patricia Arias		Chase Bank Ch...	800.00	1,800.00
Check	3/8/2011		rimrock Storage		Chase Bank Ch...	70.00	1,870.00
Check	3/15/2011	2998	Patricia Arias		Chase Bank Ch...	800.00	2,670.00
Check	4/7/2011		rimrock Storage		Chase Bank Ch...	60.00	2,730.00
Check	4/15/2011	2035	Patricia Arias		Chase Bank Ch...	356.83	3,086.83
Check	4/20/2011		Patricia Arias		Chase Bank Ch...	800.00	3,886.83
Check	5/19/2011	2059	Patricia Arias		Chase Bank Ch...	800.00	4,686.83
Check	6/16/2011	2087	Patricia Arias		Chase Bank Ch...	800.00	5,486.83
Check	7/18/2011		Patricia Arias		Chase Bank Ch...	900.00	6,386.83
Total 640 - Other						6,386.83	6,386.83
Total 640						6,386.83	6,386.83

12:44 PM
12/06/12
Accrual Basis



Montezuma Rimrock Water Company LLC
General Ledger
As of December 31, 2011

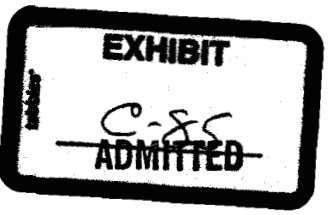
(C - EX 84)

Type	Date	Num	Name	Memo	Split	Amount	Balance
CIA-C-plant in							
Total CIA-C-plant in						0.00	0.00
First Insurance Funding Corp.						0.00	0.00
Total First Insurance Funding Corp.						0.00	0.00
Payroll Liabilities						0.00	0.00
Total Payroll Liabilities						0.00	0.00
Sales Tax Payable						0.00	0.00
Total Sales Tax Payable						0.00	0.00
224							
2241							
Total 2241						-32,314.99	-32,314.99
2242						0.00	0.00
General Journal	12/31/2011	auto ...	Patricia Arias	record payoff...	2244	6,056.09	-8,989.24
General Journal	12/31/2011	auto ...	Patricia Arias	corr prior yea...	2244	2,347.58	-2,933.15
Total 2242						8,403.67	-585.57
2243							
Total 2243							-12,418.30
2244							
Check	10/17/2011		Patricia Arias			1,000.00	-10,907.45
Check	10/17/2011		Patricia Arias			200.00	-9,907.45
Check	10/17/2011		Patricia Arias			800.00	-9,707.45
Check	10/24/2011		Patricia Arias			150.00	-8,907.45
Check	11/4/2011		Patricia Arias			275.00	-8,757.45
Check	11/21/2011		Patricia Arias			200.00	-8,482.45
Check	11/21/2011		Patricia Arias			800.00	-7,482.45
Check	12/16/2011		Patricia Arias			1,000.00	-6,482.45
Check	12/19/2011		Patricia Arias			200.00	-6,282.45
Check	12/19/2011		Patricia Arias			362.00	-5,282.45
Check	12/20/2011		Chase Bank			500.00	-4,920.45
Check	12/23/2011		Chase Bank			200.00	-4,420.45
Check	12/27/2011		Chase Bank			150.00	-4,220.45
Check	12/28/2011		Chase Bank			150.00	-4,070.45
Check	12/28/2011		Chase Bank			150.00	-3,920.45
General Journal	12/31/2011	auto ...	Patricia Arias	record payoff...	2242	-6,056.09	-9,976.54
General Journal	12/31/2011	auto ...	Patricia Arias	corr prior yea...	2242	-2,347.58	-12,324.12
General Journal	12/31/2011	xfer d...	Patricia Arias	transfer drawl...	219	999.98	-11,324.14
Total 2244						-416.69	-11,324.14

12:44 PM
12/06/12
Accrual Basis

Montezuma Rimrock Water Company LLC
General Ledger
As of December 31, 2011

EX-85



Type	Date	Num	Name	Memo	Split	Amount	Balance
636	Check	10/7/2011	Don Barnes		Checking - Ac...	140.00	5,558.39
Check	10/7/2011	2189	Rose Mary Barnes		Checking - Ac...	135.00	5,693.39
Check	10/14/2011	3519	Score Sense		Chase Bank C...	3.53	5,833.39
Check	10/14/2011	3522	Lina Arias		Chase Bank C...	100.00	5,936.92
Check	10/14/2011	3524	Don Barnes		Chase Bank C...	100.00	6,036.92
Check	10/17/2011		Score Sense		Chase Bank C...	29.95	6,066.87
Check	10/26/2011	3521	Sergei Arias		Chase Bank C...	100.00	6,166.87
Check	11/4/2011	3544	Rose Mary Barnes		Chase Bank C...	60.00	6,226.87
Check	11/4/2011	3545	Don Barnes		Chase Bank C...	91.00	6,317.87
Check	11/15/2011		Score Sense		Chase Bank C...	29.95	6,347.82
Check	11/16/2011	3547	Dave Vera		Chase Bank C...	125.00	6,472.82
Check	11/16/2011	3548	Dave Vera		Chase Bank C...	75.00	6,547.82
Check	12/12/2011	3564	Don Barnes		Chase Bank C...	224.00	6,771.82
Check	12/12/2011	3565	Rose Mary Barnes		Chase Bank C...	140.00	6,911.82
Check	12/15/2011		Score Sense		Chase Bank C...	29.95	6,941.77
Check	12/27/2011	3567	Laurie Robinson		Chase Bank C...	75.00	7,016.77
Check	12/30/2011	3570	Brandon Adame		Chase Bank C...	40.00	7,056.77
Total 636						1,498.38	7,056.77
640	Check						6,982.51
641	Check	11/17/2011	Patricia Arias		Chase Bank C...	1,000.00	5,600.00
Total 641						1,000.00	6,600.00
640 - Other							1,382.51
Total 640 - Other							1,382.51
650	Check	10/3/2011	Sam's Club		Chase Bank C...	47.55	6,582.44
Check	10/6/2011		Sam's Club		Chase Bank C...	45.11	6,729.99
Check	10/11/2011		Beaver Creek Gas ...		Chase Bank C...	3.48	6,775.10
Check	10/12/2011		Sam's Club		Chase Bank C...	47.66	6,826.24
Check	10/13/2011		Safelite Auto Glass		Chase Bank C...	24.76	6,851.00
Check	10/17/2011		Pharmacists Mutual		Chase Bank C...	214.50	7,065.50
Check	10/19/2011		Maverick		Chase Bank C...	43.58	7,109.08
Check	10/25/2011		Beaver Creek Gas ...		Chase Bank C...	15.47	7,124.55
Check	10/25/2011		Cosco		Chase Bank C...	37.95	7,162.50
Check	10/27/2011		Claim Jumper		Chase Bank C...	15.78	7,178.28
Check	10/27/2011		Chevron		Chase Bank C...	20.07	7,198.35
Check	10/27/2011		Discount Tire		Chase Bank C...	325.48	7,523.83
Check	10/31/2011		Maverick		Chase Bank C...	30.21	7,554.04
Check	10/31/2011		Raak Automotive		Chase Bank C...	136.94	7,690.98
Check	11/1/2011		Maverick		Chase Bank C...	22.84	7,713.82
Check	11/1/2011		Cosco		Chase Bank C...	41.28	7,755.10
Check	11/3/2011		Giant		Chase Bank C...	95.16	7,850.26
Check	11/7/2011		Maverick		Chase Bank C...	38.92	7,889.18
Total 650						1,000.00	7,982.51

C - EX 80

7:44 AM

09/20/11

Accrual Basis

Montezuma Rimrock Water Company LLC

General Ledger

As of August 1, 2011

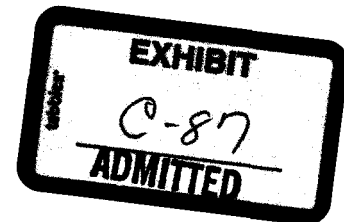
Type	Date	Num	Name	Memo	Split	Amount	Balance
635							0.00
Check	2/4/2011	2379	Western Technologie...		Chase Bank Ch...	200.00	200.00
Check	3/6/2011	2974	Western Technologie...		Chase Bank Ch...	100.00	300.00
Check	3/15/2011	2987	Western Technologie...		Chase Bank Ch...	100.00	400.00
Check	4/17/2011	2041	Western Technologie...		Chase Bank Ch...	100.00	500.00
Check	6/19/2011	2107	Western Technologie...		Chase Bank Ch...	200.00	700.00
Check	7/19/2011	2134	Western Technologie...		Chase Bank Ch...	200.00	900.00
Total 635						900.00	900.00
636							0.00
Check	1/7/2011		rimrock Storage		Chase Bank Ch...	70.00	70.00
Check	1/13/2011	2942	Don Barnes		Chase Bank Ch...	63.00	133.00
Check	1/13/2011	2943	Rose Mary Barnes		Chase Bank Ch...	60.00	193.00
Check	1/20/2011	2945	Patricia Arias		Chase Bank Ch...	515.22	708.22
Check	1/20/2011	2946	Patricia Arias		Chase Bank Ch...	108.39	816.61
Check	1/25/2011	2886	Patricia Arias		Chase Bank Ch...	228.14	1,044.75
Check	2/4/2011	2895	Don Barnes		Chase Bank Ch...	104.50	1,149.25
Check	2/15/2011	2894	Brandon Adame		Chase Bank Ch...	30.00	1,179.25
Check	2/16/2011	2956	Patricia Arias		Chase Bank Ch...	711.28	1,890.53
Check	3/6/2011	2977	Don Barnes		Chase Bank Ch...	120.50	2,011.03
Check	3/14/2011		Patricia Arias		Chase Bank Ch...	53.00	2,064.03
Check	3/15/2011	2983	Patricia Arias		Chase Bank Ch...	185.00	2,249.03
Check	3/15/2011	3000	Patricia Arias		Chase Bank Ch...	300.00	2,549.03
Check	3/15/2011	2998	Patricia Arias		Chase Bank Ch...	711.28	3,260.31
Check	3/15/2011	2995	Brandon Adame		Chase Bank Ch...	20.00	3,280.31
Check	3/22/2011	2988	Patricia Arias		Chase Bank Ch...	185.00	3,465.31
Check	3/28/2011		Patricia Arias		Chase Bank Ch...	30.66	3,495.97
Check	4/5/2011	2027	Don Barnes		Chase Bank Ch...	131.00	3,626.97
Check	4/5/2011	2030	Monte Voepel		Chase Bank Ch...	335.29	3,962.26
Check	4/17/2011	2039	Chase Bank		Chase Bank Ch...	100.00	4,062.26
Check	4/20/2011		Patricia Arias		Chase Bank Ch...	711.28	4,773.54
Check	4/22/2011	2038	Patricia Arias		Chase Bank Ch...	185.00	4,958.54
Check	5/5/2011		rimrock Storage		Chase Bank Ch...	70.00	5,028.54
Check	5/19/2011	2059	Patricia Arias		Chase Bank Ch...	711.28	5,739.82
Check	5/24/2011		Patricia Arias		Chase Bank Ch...	100.00	5,839.82
Check	5/25/2011	2071	Laurie Robinson		Chase Bank Ch...	50.00	5,889.82
Check	6/1/2011		Score Sense		Chase Bank Ch...	1.00	5,890.82
Check	6/6/2011	2079	Don Barnes		Chase Bank Ch...	112.00	6,002.82
Check	6/13/2011	2086	L&M Services		Chase Bank Ch...	65.00	6,067.82
Check	6/16/2011		Score Sense		Chase Bank Ch...	29.95	6,097.77
Check	6/16/2011	2087	Patricia Arias		Chase Bank Ch...	711.28	6,809.05
Check	6/19/2011	2095	Collingwood Pumps, L...		Chase Bank Ch...	121.61	6,930.66
Check	6/19/2011	2103	Patricia Arias		Chase Bank Ch...	185.00	7,115.66
Check	6/19/2011	2109	BCCDC		Chase Bank Ch...	150.00	7,265.66
Check	6/23/2011	2090	Patricia Arias		Chase Bank Ch...	208.00	7,473.66
Check	7/5/2011		Tim Meyer		Chase Bank Ch...	80.00	7,553.66
Check	7/5/2011	2111	Collingwood Pumps, L...		Chase Bank Ch...	202.50	7,756.16
Check	7/7/2011	2116	Rose Mary Barnes		Chase Bank Ch...	72.50	7,828.66
Check	7/7/2011	2117	Don Barnes		Chase Bank Ch...	94.50	7,923.16
Check	7/9/2011	2118	L&M Services		Chase Bank Ch...	39.00	7,962.16
Check	7/15/2011		Score Sense		Chase Bank Ch...	29.95	7,992.11
Check	7/18/2011		Patricia Arias		Chase Bank Ch...	900.00	8,892.11
Check	7/19/2011	2133	Collingwood Pumps, L...		Chase Bank Ch...	441.67	9,333.78
Check	7/19/2011	2129	Patricia Arias		Chase Bank Ch...	205.00	9,538.78
Check	7/19/2011	2123	RB-LB		Chase Bank Ch...	200.00	9,738.78
Check	7/28/2011		Patricia Arias		Chase Bank Ch...	55.35	9,794.13
Total 636						9,794.13	9,794.13
640							0.00
641							0.00
Total 641							0.00
640 - Other							0.00
Check	1/20/2011	2944	Patricia Arias		Chase Bank Ch...	1,000.00	1,000.00
Check	2/16/2011	2956	Patricia Arias		Chase Bank Ch...	800.00	1,800.00
Check	3/8/2011		rimrock Storage		Chase Bank Ch...	70.00	1,870.00
Check	3/15/2011	2998	Patricia Arias		Chase Bank Ch...	800.00	2,670.00
Check	4/7/2011		rimrock Storage		Chase Bank Ch...	60.00	2,730.00
Check	4/15/2011	2035	Patricia Arias		Chase Bank Ch...	356.83	3,086.83
Check	4/20/2011		Patricia Arias		Chase Bank Ch...	800.00	3,886.83
Check	5/19/2011	2059	Patricia Arias		Chase Bank Ch...	800.00	4,686.83
Check	6/16/2011	2087	Patricia Arias		Chase Bank Ch...	800.00	5,486.83
Check	7/18/2011		Patricia Arias		Chase Bank Ch...	900.00	6,386.83
Total 640 - Other						6,386.83	6,386.83
Total 640						6,386.83	6,386.83

W-04254A-04-0270
W-02064A-04-0270

ORIGINAL

Montezuma Rimrock Water Co LLC
MONTESUMA RIMROCK WATER CO LLC

P.O. Box 10
Rimrock, AZ 86335
928-592-9211

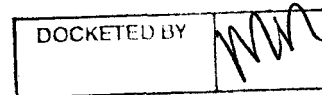


April 3, 2008

Arizona Corporation Commission
DOCKETED

APR - 4-2008

Director of Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 86007



To Whom It May Concern:

Enclosed are copies of the Hook-up & the Hook-up Vendor Report required per ACC
Commission Decision No. 64665.

If there are any questions, please do not hesitate to contact me at 928-300-3291.

Sincerely,

A handwritten signature in cursive script, appearing to read "Patricia D. Olsen".
Patricia D. Olsen
Manager

cc: Docket Control
Compliance Section

RECEIVED
2008 APR -4 A 11:37
AZ CORP COMMISSION
DOCKET CONTROL

Montezuma Rimrock Water Company LLC		
P.O. Box 10		
Rimrock, Arizona 86335		
Hook-Up Vendor Report		
Vendor	Purpose	Amount
United Verde Crane	Final setup of one of the two new tanks installed at well site #1 in September 2006 (January 2007)	\$228.06
Monte Voepel	New Tanks - final installation	\$1,868.00
Home Depot	Parts for new tanks and fencing materials well site #3	\$627.43
Collingwood	Repiping of new tanks to current tank and final connection for electrical to work with submersible pump	\$1,747.48
Patricia Olsen	Well Survey of new well site #3	\$315.00
CAD	Auto CAD for designing new well site #3 plans	\$788.99
HD Waterworks	Fire Hydrant supplies for hydrant installation and valves	\$3,526.22
Canyon Supply	Fire Hydrant supplies for hydrant installation	\$1,655.19
Sergei Arias	Fence Construction well site #3	\$175.00
Patricia Olsen	Fence Construction well site #3	\$360.00
Sergei Arias	Fence Construction well site #1, well site expansion for larger storage tank installation	\$140.00
Buffalo Fence	Fencing material for well site #1	\$432.63
Lumberman's	Fencing material for well site #1	\$222.32
Arizona Jobsite	Concrete Well #3 - new well site still under construction	\$541.89
Mark Scannell	Labor for Concrete work on well #3	\$575.00
Norm Rask	Hydrant Installation	\$3,000.00
Arizona Jobsite	Concrete for disinfection system building at new well site #3	\$541.22
Arizona Jobsite	Concrete Blocks for retaining wall at well site #1-expanding site for larger capacity storage tanks	\$1,616.99
Patricia Olsen	Site Plan Expansion of Well #1 for increased storage capacity	\$400.00
Rask Construction	Labor for block wall at Well site #1 expansion to provide for increased storage tank	\$3,082.50
	Total	\$21,843.92

Montezuma Rimrock Water Company LLC		
2008 Annual Hook-Up Report		
Lot #	Name	Amount
50	Kocisko Construction	\$2,000.00
132	Timothy Lefler	\$2,000.00
158	ALM Construction	\$2,400.00
179	Miguel Landaverde	\$2,400.00
189	Fred Stone	\$2,000.00
198	Arthur Standifer	\$2,000.00
283	Mike Eaton	\$2,000.00
301	Kevin Presmyk	\$2,400.00
346	Patrick Handrahan	\$2,000.00
375	Micca Martinez	\$2,000.00
391	Art Guenther	\$2,000.00
528	Parvin Laird	\$2,000.00
532	Florencia Riegelhaupt	\$2,000.00
589	RMJ Construction	\$2,000.00
622	Seawolfe	\$2,000.00
629	Art Guenther	\$2,000.00
657	Herbert Winebarger	\$2,000.00
	Subtotal	\$35,200.00
	Beginning Balance	\$17,588.60
	Interest	\$49.79
	Hookup Vendor Expenses	\$21,843.92
	Total	\$30,994.47

C-EX88

Docket W-04254A-04-0270

Docket: W-02064A-04-0270

Dec: 67583

ORIGINAL

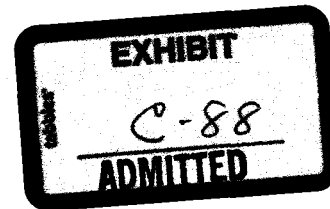


50

P.O. Box 10
Rimrock, AZ 86335
928-592-9211

March 4, 2007

Director of Utilities Division
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 86007



To Whom It May Concern:

Enclosed are copies of the Hook-up & the Hook-up Vendor Report required per ACC Commission Decision No. 64665. This revised report is to replace the previous report submitted January 31, 2007.

If there are any questions, please do not hesitate to contact me at 928-300-3291.

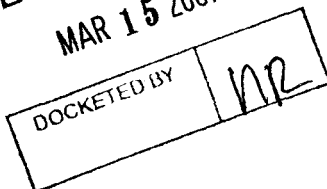
Sincerely,

A handwritten signature in black ink, appearing to read "Patricia D. Olsen".
Patricia D. Olsen
Manager

cc: Docket Control
Compliance Section

RECEIVED
2007 MAR 15 A 11:22
AZ CORP COMMISSION
DOCUMENT CONTROL

Arizona Corporation Commission
DOCKETED
MAR 15 2007



2007 Annual Report

Montezuma Rimrock Water Co., LLC Vendor Report		
Vendor	Purpose	Amount
Monte Voepel	Plant Improvements	\$1,465.00
	Well 2B sanitary seal & electrical wiring, assistance with new tank installation @ well #1	
Home Depot	Utility Plant Improvement	\$865.48
	Supplies for well 2B and well#3	
Steve Franchuk	Fence Installation for Well #3	\$297.00
	Installation of fence to provide security for well #3	
Sergei Arias	Fence Installation for Well #3	\$185.00
	Installation of fence to provide security for well #3	
Buffalo Fence	Fence Supplies for Well #3	\$1,920.25
	Installation of fence to provide security for well #3	
Lina Arias	Fence Installation for Well #3	\$190.00
	Installation of fence to provide security for well #3	
Collingwood Pumps	New Tanks & Installation	\$7,298.66
	Tank #1 failed requiring emergency installation of two 5,200 gallon tanks. This allowed the repair of tank #1 and doubled water storage capacity at well site #1	
Geophysical Logging Services	Well #3 Logging	\$695.00
	Geophysical Logging and well video to determine viability and production capabilities of well #3	
YCDS	Permit for new tank	\$169.59
	Required permit from Yavapai County to install additional tanks for increased storage capacity @ well #1	
KP Drilling	Well #3 for increased production	\$25,046.41
	Current combined system provides ~75 gpm. The system at buildout requires ~ 150 gpm. Drilled well #3 which will deliver ~700 gpm. This also provides the ability for MRWC to expand it's CCR if allowed.	
	Total	\$38,132.39

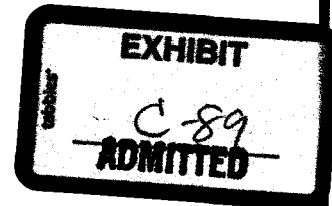
2007 Annual Report

Montezuma Rimrock Water Co., LLC Hook-Up Fees		
Lot #	Name	Amount
26	Fourthway	\$2,000.00
661	Koster	\$2,000.00
534	Spring Creek	\$2,000.00
264	Lion Heart	\$2,000.00
288	Eaton	\$2,000.00
621	Hunter	\$2,000.00
86	Midkiff	\$2,000.00
379	Midkiff	\$2,000.00
378	Midkiff	\$2,000.00
604	Stonebrook Homes	\$2,000.00
345	Drumcliffe	\$2,000.00
356	4x4 Home	\$2,000.00
647	Britton	\$2,000.00
266	Eaton	\$2,000.00
268	Lion Heart	\$2,000.00
284	Lion Heart	\$2,000.00
159	Spring Creek	\$2,000.00
524	Neal Klein	\$2,000.00
302	Jalan	\$2,000.00
	Subtotal	\$38,000.00
	Beginning Balance	\$17,675.03
	Interest	\$45.96
	Hookup Vendor Expenses	\$38,132.39
	Balance	\$17,588.60

C-EX89

ORIGINAL

Arsenic Treatment Plan
For
Montezuma Rimrock Water Company LLC
Decision Nos. ~~64665~~ and 67583
Docket Nos.
W-02064A-04-0270; W-04254A-~~04-0270~~



Arizona Corporation Commission
DOCKETED

APR 14 2005

DOCKETED BY	<i>ND</i>
-------------	-----------

Montezuma Rimrock Water Co LLC

P.O. Box 10
Rimrock, AZ 86335

AZ CORP COMMISSION
DOCUMENT CONTROL

2005 APR 14 P 3:31

RECEIVED

TABLE OF CONTENTS

INTRODUCTION	3
SYSTEM DESCRIPTION	3
STEPS TAKEN BY MEPOA TO DATE	4
FUTURE STEPS REQUIRED OF MEPOA	4
SUMMARY OF ADEQ ARSENIC MASTER PLAN RECOMMENDATIONS.....	4
POINT OF USE (POU) OPTION.....	4
POU IMPLEMENTATION	6
INSTALLATION PLAN.....	7
O&M SCHEDULE	7
MONITORING AND COMPLIANCE REPORTING	7
CUSTOMER ISSUES	8
FINANCIAL ASPECTS OF PLAN.....	8
APPENDIX – TABLE 1.....	9

Introduction

This report is submitted on behalf of Montezuma Estates Property Owners Association ("MEPOA") dba Montezuma Estates Water Company, by the Montezuma Rimrock Water Company, L.L.C. ("MRWC"). The Arizona Corporation Commission ("Commission") in decision 64665 required MEPOA to submit to the Commission, a report describing what steps MEPOA is planning to take in order to reduce the arsenic level in its water to below 10 parts per billion ("ppb"). The Arizona Corporation also required MRWC to submit to the Commission, "within 60 days of the effective date of this Decision, its arsenic treatment plan, if not previously filed by Applicant" in Decision No. 67583.

Subsequent to decision 64665, in Commission decision 67853, sale of assets and transfer of MEPOA's Certificate of Convenience and Necessity ("Certificate") to MRWC was approved. This report is intended to address the arsenic treatment plan requirements of both Commission decisions 64665 and 67853.

System Description

The Service area of the Utility consists of approximately 722 lots within the Montezuma Estates subdivision in Rimrock, AZ, approximately 8 miles north of Camp Verde. Of these 722 lots, several hundred may not be developable due to flood risks or other constraints. There are currently approximately 147 connections to the water system. A small number of homes in the service area have their own private well and are not connected.

The system consists of two well sites located approximately 3/10 of a mile from each other. Each well site is equipped with a 10,000 gal storage tank, a 2000 gallon pressure tank, and chlorination equipment. The Point of Entry ("POE") # 1 site has emergency generators. The well at POE # 2 is currently off-line. The distribution system is primarily constructed with Schedule 40 PVC mains. Built in the 1970's, the mains and gate valves have been subject to failures. MEPOA has replaced most valves in recent years, but the marginal Schedule 40 PVC mains will need to be replaced over time. The gate valve replacement initiative has reduced water losses and the frequency of line breaks.

In 2004, the system average daily demand was 25,342 gallons per day ("GPD"), or a continuous 17.6 gallons per minute ("GPM"). POE # 1 yields approximately 55 GPM with current pumping equipment, and has been able to sustain the entire demand since POE # 2 was taken off line in late 2003.

Arsenic concentrations observed from POE # 1 has ranged from 55 ppb to 28 ppb, while arsenic concentrations from POE # 2 has ranged from 55 ppb to 35 ppb.

Steps Taken by MEPOA To Date

MEPOA attempted to find water with lower arsenic levels by drilling the well for POE #2 deeper. The effort failed when a highly mineralized zone of water was encountered at depth. This well was partially backfilled and was removed from service. A replacement well was drilled adjacent to well 2 to restore access to a functioning well at that location, and is currently in the process of source approval with ADEQ.

MEPOA has collected water samples from POE#1, and submitted them for comprehensive laboratory analyses. The results of these analyses are required by manufacturers of treatment plants to determine if their systems are capable of treating the feed water, and estimate construction and O&M costs.

MEPOA has been proactively researching regulatory requirements, financing and technical options so that it can comply with the new standard for arsenic when it goes into effect next year. MEPOA has attended one of the ACC/ADEQ/WIFA Arsenic Workshops, and has been in contact with several vendors of treatment equipment.

Future Steps Required of MEPOA

Because the transfer of water utility to MRWC is expected to be completed in the next 60 days, MEPOA proposes to suspend further efforts toward addressing the arsenic levels at this point. MRWC personnel are already actively engaged in the planning for system upgrades to reduce arsenic concentrations to below 10 ppb by January 26, 2006, as evidenced by the preparation of this report.

Summary of ADEQ Arsenic Master Plan Recommendations

The ADEQ Master Plan recommends a central treatment plant(s) using iron-modified activated alumina (Fe-AA) (single vessel or two vessels in series) system. To implement the ADEQ Adsorption to Fe-AA, estimated capital costs are \$256,000 with annual O&M costs of \$47,000.

Point Of Use ("POU") Option

On the basis of information provided by ADEQ through the Black Canyon City Study, and Watts/Premier, a manufacturer of POU units, MRWC believes that the POU option is a viable and cost effective alternative to implementing the recommendations of the ADEQ master plan.

MRWC believes there are significant factors supporting the POU treatment option including;

- The relative small number of customers currently served,
- The potential for significant growth over the next 10 years,
- The lack of a single POE location for all wells, storage tanks, and boosters,
- Significantly lower capital costs, compared to ADEQ Master Plan estimates,
- Relatively low operations/maintenance & monitoring costs,
- The potential for technologic advances and cost reductions,
- Effective treatment of other water quality parameters, and
- Availability of off-the-shelf units to install prior to the January 26, 2006 deadline.

The existing and potential number of customers is a factor that may support the POU treatment option. The system currently has approximately 147 service connections. The system is expected to grow at a rate of 20 new connections per year for the next 10 years, at which time most of the readily buildable lots in the subdivision would be occupied. This would result in "built-out" size of approximately 350 service connections ten years from now.

The non-centralized configuration of the wells, storage and booster tanks at this time, precludes using a single "whole supply" treatment unit. Given the projected growth in connections, and low well yields at POE #2, MRWC anticipates a future need to reconfigure the locations and capacities of wells, storage and booster tanks. However, this is not economically feasible nor is it reasonably physically achievable prior to the January 26, 2006 deadline.

The ADEQ Master Plan recommends an iron-modified activated alumina system. The estimated capital costs are \$256,000 with annual O&M costs of \$47,000. The cost per customer for arsenic treatment under the Master Plan option was projected to be \$33.38 per month. In contrast, the estimated costs for the POU treatment option are \$41,325 in initial capital costs, and approximately \$13,135 in annual O&M costs. The projected cost per customer is approximately \$15 per month. Thus the POU option could save each customer \$220.56 annually over the ADEQ Master Plan option.

Since the announcement lowering the arsenic MCL to 10 ppb, many emerging companies have introduced new treatment systems and are vying for market share/dominance. MRWC believes that there will be an inevitable shakedown of manufactures and vendors. Those products which are most reliable and cost-effective will prevail. Unfortunately,

some utilities will have made selections from companies who will disappear, or who's equipment, or treatment effectiveness will fall short. Additionally, it is likely that further technologic advances and cost reductions will occur over the next ten years. This timeframe corresponds to the remaining time estimated to for the MRWC service area to be "built-out".

MRWC believes that it is a reasonable approach to use the POU units for an interim period of 10 years, and then switch to a centralized arsenic treatment system. MRWC anticipates that within 10 years the growth of the community, and its corresponding water demand, will have stabilized and that MRWC will have centralized the location of storage and booster facilities. Financially, MRWC's draft budget estimates indicate that even at the relatively reasonable cost of \$15 per month per connection, \$130,000 could be accumulated over a ten year period. This fund would then be used to purchase a ten years hence, state-of-the-art centralized treatment plant, sized for the community with a reduced growth rate.

POU Implementation

MRWC proposes to use the KP-5 model Reverse Osmosis ("RO") unit from Watts/Premier, of Phoenix AZ. A unit would be installed at the kitchen sink of each home. The unit is a 5-stage filtration system, and has a capacity of 25 GPD. These systems are equipped with three pre filters, one 5 micron sediment and two 5 micron carbon blocks. Following the prefilters is the 25 GPD RO membrane, three gallon holding tank and a final 10 inch in-line polishing filter. These systems carry NSF International Certification for the reduction of arsenic, barium, cadmium, copper, cyst, hexavalent chromium, fluoride, lead, perchlorate, radium 226/228, selenium, TDS, trivalent chromium and turbidity. Arsenic reduction is approximately 99%

The KP-5 RO system is equipped with a total dissolved solids (TDS) monitoring faucet that reads the levels of TDS in the treated water and determines if the unit is working properly. TDS is an indicator of the performance of the RO membrane. Initially, the RO system should reduce on average 96% of the incoming TDS. Over time, the membrane will reduce less of this incoming TDS, and eventually will need to be replaced. Watts Premier estimates the life of an RO to be between two and five years, depending upon the quality of the incoming water.

If the metering faucet senses that the TDS level through the RO membrane has been reduced below the set level, the light on the faucet will turn from green to red. The red light does not mean that the system is not removing any of the incoming water contaminants. Rather, the RO system is still removing minimally 80% of the incoming water

contaminants; however, it is signaling to the user that it is time to service the unit .

The RO requires a minimum inlet pressure of 40 psi. Homes with less than 40 psi service pressure can be equipped with a small RO booster pump

Installation Plan

MRWC would begin the program with a Public Information/Outreach program to inform customers of the implementation plan. Information would be presented at least one public meeting and in several newsletters.

Homeowners would be contacted for scheduling of their installation, and an individual pre-installation home visit would be requested to determine if there are any special conditions, and answer any questions.

In order to meet the January, 26, 2006 deadline, MRWC proposes to contract with one or more licensed plumbers to perform the initial installation effort in existing homes. New homes being built after the initial effort will be provided with a unit for the owner/builder to install, otherwise MRWC personnel will install the unit prior to occupancy.

O&M Schedule

All POU units will receive an annual service call. MRWC Staff will take an arsenic compliance sample if required, check unit indicators and system operation, and change the pre and post RO filters. The RO membrane itself will be replaced if needed, and this is anticipated every 3 years.

Monitoring and Compliance Reporting

As MRWC understands ADEQ's preliminary monitoring requirements, 1/3 of all POU units will have to be tested for arsenic concentration every 3 years. Thus, all POU units would have to be tested at least every 9-year cycle.

In addition to the above required monitoring, MRWC believes it is important to monitor the system influent concentrations as well as the POU performance annually, thus MRWC proposes to test each POE and 10 randomly selected POU units annually.

Recordkeeping and reporting will conform to ADEQ requirements. ADEQ is currently producing documentation that will provide ruling on how systems will implement the POU program. MRWC will follow these guidelines set by ADEQ.

Customer Issues

At this point, MRWC does not know if 100% of customers will allow installation of the POU units. It is expected that with an enthusiastic outreach/education program the participation rate will be high. For those recalcitrant customers, MRWC favors termination of water service, unless there is some liability protection provided by State or Federal law. MRWC looks forward to ADEQ and ACC for guidance on this issue.

Financial aspects of plan

For initial funding of the arsenic treatment plan, MRWC intends to apply for a WIFA loan. The current estimated loan request is \$50,000. Terms and timing of the loan are largely unknown to MRWC. However, for budget estimating it was assumed to have a 4% interest rate, and a term of 10 years.

A request for an arsenic treatment surcharge will also be made to ACC, as was presented last year at the Arsenic Masterplan Workshop held in Prescott, AZ. On the basis of cost estimates from the POU unit manufacturer, the ADEQ POU pilot studies and MRWC estimates, an arsenic treatment surcharge in the amount of \$15 per service connection per month is proposed.

An annual budget for the Arsenic Treatment Plan by year is presented in Table 1. Major assumptions in the budget include:

- Initial funding of \$50,000
- Loan payments of \$6074 per year
- A system growth rate of 20 new connections per year
- A surcharge of \$15 per service connection per month

As can be noted in the budget (Table 1), the program maintains a positive balance throughout the 10-year plan, and ends with approximately \$130,000. MRWC proposes that these funds be used to procure and operate a new centralized treatment plant, and any remaining funds used in the O&M, and/or adjustment to rates charged to customers.

MRWC is currently investigating the possibility of a centralized arsenic removal treatment system and anticipate potential changes to the above presented Arsenic Treatment Plan. Research and water analysis is presently underway.

Appendix – Table 1

TABLE 1

Montezuma Rimrock Water Co LLC
Arsenic Treatment Plan
Annual Budget 2005 - 2015

Operative Year	1	2	3	4	5	6	7	8	9	10	Program
Year	2006	2007	2008	2008	2010	2011	2012	2013	2014	2015	TOTALS
Service Connections	165	185	205	225	245	265	285	305	325	345	
	2005										
	145										
	50000	0	0	0	0	0	0	0	0	0	50000
WIFA Funding	0	33300	36900	40500	44100	47700	51300	54900	58500	62100	459000
Annual Revenue from Arsenic Fee (\$15/Mo/Connection)	29700	33300	36900	40500	44100	47700	51300	54900	58500	62100	459000
TOTAL FUNDS	\$50,000	\$29,700	\$36,900	\$40,500	\$44,100	\$47,700	\$51,300	\$54,900	\$58,500	\$62,100	\$509,000
TREATMENT PLAN EXPENDITURES											
INFRASTRUCTURE COSTS											
Cost for POU units (\$210/unit)	30450	4200	4200	4200	4200	4200	4200	4200	4200	4200	\$72,450
Labor to Install POU Units (\$75/unit)	10875	1500	1500	1500	1500	1500	1500	1500	1500	1500	\$25,875
OPERATION & MAINTENANCE COSTS											
Parts for Annual POU Service Call (\$35/unit)	0	5775	6475	7175	7875	8575	9275	9975	10675	11375	\$77,175
Labor for Annual POU Service Call (\$40/unit)	0	6600	7400	8200	9000	9800	10600	11400	12200	13000	\$88,200
Parts for Triennial RO Membrane Replacement(\$48/unit)	0	0	7920	960	960	8880	960	960	8880	960	\$30,480
MONITORING & REPORTING COSTS											
Analytical Costs (1/3 of POU Units every 3 years @\$15)	0	0	3075	0	0	3975	0	0	4875	0	\$11,925
MRWC Elective Analytical Costs (2 POE's + 10 Units)	0	180	0	180	180	0	180	180	0	180	\$1,260
Field Technician (\$15/Hr * 1Hr/Sample)	0	180	1025	180	180	1325	180	180	1625	180	\$5,235
Environmental Scientist (\$30/Hr)	0	300	1200	300	300	1200	300	300	1200	300	\$5,700
Total Treatment Plan Costs	41325	6360	32795	22895	24195	39455	27195	28695	45155	31695	318300
WIFA Loan Payments P+I (4% over 10 Years)	0	6074.76	6074.76	6074.76	6074.76	6074.76	6074.76	6074.76	6074.76	6074.76	60747.6
TOTAL EXPENDITURES	\$41,325	\$12,435	\$38,870	\$28,770	\$30,270	\$45,530	\$33,270	\$34,770	\$51,230	\$37,770	\$379,048
BALANCE	\$8,675	\$25,940	\$32,451	\$44,191	\$58,021	\$60,191	\$78,222	\$98,352	\$105,622	\$129,952	

ORIGINAL

RECEIVED

FENNEMORE CRAIG
A Professional Corporation
Todd C. Wiley (Bar No. 015358)
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
Telephone: (602) 916-5000

2012 APR 27 P 3:56

AZ CORP COMMISSION
DOCKET CONTROL

Arizona Corporation Commission

DOCKETED

APR 27 2012

Attorneys for Montezuma Rimrock Water Company, LLC

DOCKETED BY

MM

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE

DOCKET NO. W-04254A-08-0361

IN THE MATTER OF THE APPLICATION
OF MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION

DOCKET NO. W-04254A-08-0362

LEGAL BRIEF

EXHIBIT

C-90

ADMITTED

In accordance with the Procedural Order dated April 9, 2012, Montezuma Rimrock Water Company, LLC ("MWC" or "Company") files the following legal brief. In that order, the Administrative Law Judge requested briefs on three issues: (1) whether the previously filed Water Services Agreement between the Company and Ms. Olsen dated March 16, 2012, the Terms and Conditions of Lease between Ms. Olsen and Nile River Leasing dated March 16, 2012 and the Contract for Arsenic Treatment System between Ms. Olsen and Kevlor Design Group dated February 28, 2012 are lease agreements; (2) whether this docket should remain open for consideration of whether to modify Decision No. 73317 and (3) whether an evidentiary hearing is necessary. MWC addresses these issues below.

On these issues, it bears emphasis that the three agreements at issue speak for themselves and their terms and conditions answer the questions as to the legal nature of the agreements. To start, Ms. Olsen has entered a contract for construction and

1 installation of an arsenic treatment facility with Kevlor Design Group. That contract is
2 strictly between Ms. Olsen and Kevlor, neither of which are public service corporations
3 subject to jurisdiction of the Arizona Corporation Commission. Thus, no approval of the
4 Corporation Commission is required as to that agreement.

5 The second agreement is a lease between Ms. Olsen and Nile River Leasing.
6 Again, that agreement is strictly between Ms. Olsen and Nile River Leasing, neither of
7 which are public service corporations subject to jurisdiction of the Arizona Corporation
8 Commission. Again, no approval of the Corporation Commission is required as to that
9 lease agreement. By its terms, that agreement clearly is a lease by which Ms. Olsen is
10 leasing certain arsenic equipment to be used by the Company in providing water service
11 to customers and to address the arsenic issues.

12 Last, the Water Services Agreement is an operational agreement between Ms.
13 Olsen and the Company whereby Ms. Olsen has agreed to construct, install and maintain
14 the arsenic treatment facilities and the Company has agreed to pay for use of those
15 facilities. This Agreement is an operational agreement and is not an issuance of
16 indebtedness that requires approval under Ariz. Rev. Stat. § 40-301, *et. seq.* The
17 Agreement does not contain any debt or financing terms and, on its face and the plain
18 wording, it is an agreement for arsenic treatment services.

19 Under the Water Services Agreements, the Company pays for arsenic treatment at
20 the specified rates. The Company need not seek or obtain Commission approval prior to
21 entering that Agreement and Commission Staff is aware of the Agreement. To the extent
22 there are any issues with the rates and charges, those rates and charges can be addressed
23 in MWC's next rate case before the Commission. At the end of the term of the
24 Agreement, the Company has an option to purchase the arsenic facilities for \$1.00. That
25 Agreement simply is not a capital financing agreement. Rather, it is a service agreement
26 with an option to purchase. That type of agreement clearly falls within the category of an

1 operational agreement and does not require any Commission approval. As a practical
2 matter, this Agreement also is a reasonable solution to the arsenic treatment issues facing
3 the Company and its customers. It simply is not in the Company's or the public's interest
4 to further delay resolution of the arsenic issues.

5 Decision No. 73317 originally authorized MWC to seek WIFA financing for
6 arsenic treatment facilities. On January 23, 2011, MWC requested that Decision No.
7 71317 be reopened to allow MWC to obtain approval to seek private financing for such
8 arsenic treatment facilities. In accordance with the agreements noted above, MWC no
9 longer is seeking private financing and Corporation Commission approval of such
10 financing is no longer necessary. Under these circumstances, the Company proposes that
11 this docket be closed and that MWC be allowed to proceed with the operational
12 agreements for installation and use of the proposed arsenic facilities.

13 RESPECTFULLY SUBMITTED this 27th day of April, 2012.

14 FENNEMORE CRAIG

15
16 By 

Todd C. Wiley
3003 North Central, Suite 2600
Phoenix, AZ 85012
Attorneys for Montezuma Rimrock Water
Company, LLC

17
18
19
20 ORIGINAL and 13 copies
21 of the foregoing was filed
22 this 27th day of April, 2012 with:

23 Docket Control
24 Arizona Corporation Commission
1200 West Washington Street
Phoenix, Arizona 85007

25 ...

26 ...

1 COPY of the foregoing
2 was hand-delivered this 27th
3 day of April, 2012, to:

3 Charles Hains
4 Legal Division
5 Arizona Corporation Commission
6 1200 W. Washington St.
7 Phoenix, AZ 85007

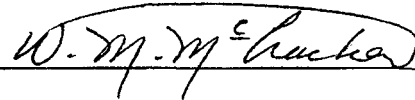
6 Steven M. Olea
7 Arizona Corporation Commission
8 1200 W. Washington St.
9 Phoenix, AZ 85007

8 A COPY of the foregoing
9 was mailed/mailed this 27th
10 day of April, 2012, to:

10 Douglas C. Fitzpatrick
11 LAW OFFICE OF DOUGLAS C. FITZPATRICK
12 49 Bell Rock Plaza
13 Sedona, AZ 86351
14 fitzlaw@sedona.net
15 Attorney for Montezuma Rimrock Water
16 Company, LLC

14 Patricia Olsen
15 MONTEZUMA RIMROCK WATER COMPANY, LLC
16 P.O. Box 10
17 Rimrock, AZ 86335
18 patsy@montezumawater.com

17 John Dougherty
18 P.O. Box 501
19 Rimrock, AZ 86335
20 jd.investigativemedia@gmail.com

20 
21 _____

22 6954430

23

24

25

26

ORIGINAL

RECEIVED

2013 MAY 22 P 12: 22

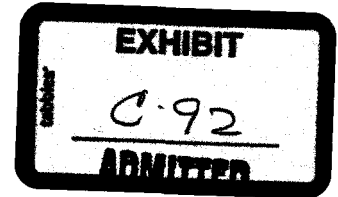
John E. Dougherty
PO Box 501
Rimrock, AZ 86335
Complainant & Intervenor

AZ CORP COMMISSION
DOCKET CONTROL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

BOB STUMP-Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH



IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING TO
INSTALL A WATER LINE FROM THE WELL ON
TIEMAN TO WELL NO. 1 ON TOWERS

W-04254A-12-0204

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING TO
PURCHASE THE WELL NO. 4 SITE AND THE
COMPANY VEHICLE.

W-04254A-12-0205

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING FOR AN
8,000-GALLON HYDRO-PNEUMATIC TANK

W-04254A-12-0206

IN THE MATTER OF THE RATE
APPLICATION OF MONTEZUMA RIMROCK
WATER COMPANY, LLC.

W-04254A-12-0207

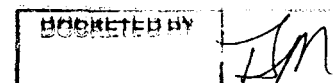
JOHN E. DOUGHERTY,
COMPLAINANT,
V.
MONTEZUMA RIMROCK WATER
COMPANY, LLC,
RESPONDENT.

W-04254A-11-0323

Arizona Corporation Commission

DOCKETED

MAY 22 2013



1 IN THE MATTER OF THE APPLICATION OF
2 MONTEZUMA RIMROCK WATER
3 COMPANY, LLC FOR APPROVAL OF A
4 RATE INCREASE.

W-04254A-08-0361

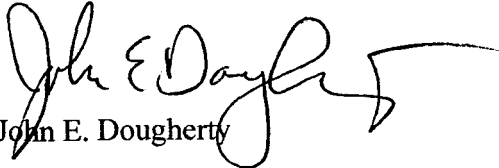
5
6 IN THE MATTER OF THE APPLICATION OF
7 MONTEZUMA RIMROCK WATER
8 COMPANY, LLC FOR APPROVAL OF A
9 FINANCING APPLICATION.

W-04254A-08-0362

10
11 **Complainant/Intervenor's**
12 **Notice of Filing**
13 **Direct Testimony**
14

15 Complainant/Intervenor hereby files the Direct Testimony of John E. Dougherty in the
16 above consolidated dockets.

17
18 RESPECTFULLY SUBMITTED this 22nd Day of May, 2013.

19 
20
21
22 John E. Dougherty
23

24 Copies of the foregoing Mailed/Hand Delivered
25 This 22nd day of May, 2013 to:

26
27 Todd C. Wiley
28 3003 N. Central Ave.
29 Suite 2600
30 Phoenix, AZ 85012

Janice Alward
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

31
32 Patricia D. Olsen, Manager
33 Montezuma Rimrock Water Company
34 PO Box 10
35 Rimrock AZ 86335

Steve Olea
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

36
37 Lyn Farmer
38 Arizona Corporation Commission
39 1200 W. Washington St.
40 Phoenix, AZ 85007
41
42
43
44
45
46
47

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**
2
3

4 **COMMISSIONERS**
5

6 BOB STUMP-Chairman
7 GARY PIERCE
8 BOB BURNS
9 SUSAN BITTER SMITH
10 BRENDA BURNS
11

12 IN THE MATTER OF THE APPLICATION OF
13 MONTEZUMA RIMROCK WATER COMPANY,
14 LLC FOR APPROVAL OF FINANCING TO
15 INSTALL A WATER LINE FROM THE WELL ON
16 TIEMAN TO WELL NO. 1 ON TOWERS
17

W-04254A-12-0204

18 IN THE MATTER OF THE APPLICATION OF
19 MONTEZUMA RIMROCK WATER COMPANY,
20 LLC FOR APPROVAL OF FINANCING TO
21 PURCHASE THE WELL NO. 4 SITE AND THE
22 COMPANY VEHICLE.
23

W-04254A-12-0205

24 IN THE MATTER OF THE APPLICATION OF
25 MONTEZUMA RIMROCK WATER COMPANY,
26 LLC FOR APPROVAL OF FINANCING FOR AN
27 8,000-GALLON HYDRO-PNEUMATIC TANK
28

W-04254A-12-0206

29 IN THE MATTER OF THE RATE
30 APPLICATION OF MONTEZUMA RIMROCK
31 WATER COMPANY, LLC.
32

W-04254A-12-0207

33 JOHN E. DOUGHERTY,
34 COMPLAINANT,
35 V.
36 MONTEZUMA RIMROCK WATER
37 COMPANY, LLC,
38 RESPONDENT.
39

W-04254A-11-0323

40 IN THE MATTER OF THE APPLICATION OF
41 MONTEZUMA RIMROCK WATER
42 COMPANY, LLC FOR APPROVAL OF A
43 RATE INCREASE.
44

W-04254A-08-0361

45 IN THE MATTER OF THE APPLICATION OF
46 MONTEZUMA RIMROCK WATER
47 COMPANY, LLC FOR APPROVAL OF A
48 FINANCING APPLICATION.

W-04254A-08-0362

**Direct
Testimony
Of
John E. Dougherty
Complainant/Intervenor**

May 22, 2013

TABLE OF CONTENTS

Introduction.....	Page 4
Summary of Direct Testimony.....	Page 5
Allegations in Formal Complaint.....	Page 7
Allegation I.....	Page 7
Allegation II.....	Page 8
Allegation IV.....	Page 8
Allegation VII.....	Page 9
Allegation X.....	Page 10
Allegation XI.....	Page 10
Allegation XII.....	Page 11
Allegation XV.....	Page 11
Allegation XVII.....	Page 12
Legal Analysis.....	Page 18
Conclusion.....	Page 20

Introduction

Q. Please state your name and your address.

A. My name is John E. Dougherty. My residence is 5225 N. Bentley Drive, Rimrock, AZ, 86335.

Q. For whom are you testifying?

A. I am testifying on behalf of myself as a Complainant in W-04254A-11-0323 and Intervenor in W-04254A-12-0204, 0205, 0206 and 0207 and W-04254A-08-0361, 0362.

Q. What is the purpose of your direct testimony?

A. My direct testimony will focus on the remaining allegations in the Amended Formal Complaint. The testimony will refer to Exhibits already docketed and are offered into evidence under R14-3-109 (Z).

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 0
- 1
- 2

3

4
5
6

- 8
9
0
1
2
3
4
5
6
7
8
9
0
1
2
3
4

6
7
8
9
0

2
3
4

36
3739
40
41

1 Violation of the ADEQ Consent Order would have led to sanctions and notification to
2 ACC that Montezuma was not in compliance with ADEQ regulations. The Company's
3 failure to install the ATF -- after years of delay -- would have provided sufficient
4 justification for the Commission to seek a Show Cause Order to remove Montezuma's
5 CCN because Montezuma was failing to provide adequate service at a reasonable cost to
6 its customers.

7
8 "Only upon a showing that a certificate holder, presented with a demand
9 for service which is reasonable in light of projected need, has failed to supply such
10 service at a reasonable cost to customers, can the Commission alter its certificate. Only
11 then would it be in the public interest to do so." (James P. Paul Water Co. v. Ariz. Corp.
12 Com'n, Ariz. Supreme Ct. 671 P.2d 404 (1983))
13

14 To sidestep Commission approval, Montezuma docketed two invalid leases dated March
15 16, 2012 signed by Mrs. Olsen, personally in W-04254A-08-0361, 0362. The Company's
16 Counsel claimed in an April 27, 2012 Legal Brief in W-04254A-08-0361, 0362 that the
17 March 16, 2012 leases did not require Commission approval.
18

19 "The second agreement is a lease between Ms. Olsen and Nile River Leasing.
20 Again, that agreement is strictly between Ms. Olsen and Nile River Leasing, neither of
21 which are public service corporations subject to jurisdiction of the Arizona Corporation
22 Commission. Again, no approval of the Corporation Commission is required as to that
23 lease agreement." (Montezuma Legal Brief, Pg.2, Lines 5-11, April 27, 2012)
24

25 Sworn affidavits submitted by Nile River Leasing, however, state the company did not
26 sign the March 16, 2012 leases and that Nile River does not enter into lease agreements
27 with individuals. (Statement of Facts in Support of Partial Summary Judgment, Ex. 5 & 6,
28 April 15, 2013)
29

30 Now, more than a year later, the Company finally admits it should have provided the
31 Capital Leases to Commission staff for review and offers its apologies for failing to do so.
32

33 Montezuma is now seeking retroactive approval for the Capital Leases it improperly hid
34 from the Commission, claiming that neither the Commission nor MRWC's customers
35 were harmed by its deceitful actions.
36

37 Montezuma's calculated bait-and-switch of the leases and submission of the March 16
38 leases that appear to have forged signatures has caused direct harm to the Commission
39 and MRWC's customers.
40

41 The Company embarked on an "ends justify the means" strategy to get the ATF in the
42 ground. If challenged on its illegal action, it would simply ask for forgiveness, while
43 claiming it was acting in the public interest by finally providing its customers with water
44 that meets federal arsenic standards.
45

46 This arrogant, unethical and illegal action is an affront to the Commission.

1 The Commission is damaged because MRWC's decision to keep secret the fact it had
2 signed Capital Leases shows a complete disrespect of the Commission's Constitutional
3 power under Article XV to regulate public service corporations.
4

5 Montezuma's action poses a direct threat to the Commission's authority and legitimacy if
6 the Commission allows the blatant violation of three Procedural Orders and state Statutes
7 to go unpunished. The Commission, and the public service corporations it regulates,
8 function under the rule of law, not the rule of expediency as espoused by Montezuma and
9 its Counsel.
10

11 MRWC's customers are damaged by the fact the Capital Leases were not subject to prior
12 review as required under ARS S. 40-301, 302. Prior review of long-term debt is designed
13 to protect captive ratepayers from being exposed to unnecessary debt obligations.
14

15 Montezuma decided, independent of Commission oversight, to acquire \$1,400 a month in
16 debt payments that may or may not be in the best interest of ratepayers.
17

18 If MRWC had followed Commission Orders by providing the March 22, 2012 Capital
19 Leases as Ordered, and this resulted in its failure to install the ATF by the ADEQ
20 deadline, the Company would have been subject to ACC sanctions including a Show
21 Cause Order to remove its CCN.
22

23 Such a course of action would have resulted in a major benefit to customers by removing
24 MRWC's incompetent and corrupt management that is now seeking to impose a huge
25 rate increase that will burden its customers with much higher rates than imposed by a
26 neighboring utility less than 2,000 feet sway.
27

28 Allegations in Amended Formal Complaint

29

30 Q. Please provide your direct testimony to each of the remaining Allegations in the
31 Amended Formal Complaint:
32

33 A. The Amended Formal Complaint includes Allegations I, II, IV, VII, X, XI, XII, XV
34 and XVII.
35

36 I hereby incorporate by reference Allegations I, II, IV, VII, X, XI, XII and XV and all
37 supporting exhibits as docketed on August 23, 2011, August 30, 2011 and September 13,
38 2011 in W-04254A-11-0323.
39

40 I will address Allegation XVII separately with a more detailed response.
41

42 Allegation I

43

44 Q. What is the significance of Allegation I?
45

1 A. Allegation I states that Montezuma signed a \$32,000 Promissory Note in 2005 without
2 Commission approval to purchase property where it would drill a new production well
3 known as Well No. 4.

4 The Company then hid the long-term debt from the Commission by filing false Annual
5 Reports in 2006, 2007, 2008, 2009 and 2010 that did not disclose the debt.

6
7 On August 15, 2011, Ms. Olsen signed a cashier's check for \$16,757 payable to Yavapai
8 Title Agency to pay off the loan balance on the property purchased by Montezuma.
9 (Motion to Amend Complaint, Exhibit 2A, Sept. 13, 2011, Docket W-04254A-11-0323)

10
11 Allegation I therefore demonstrates that the Company violated Commission regulations
12 and ARS S40-301, 302 by entering into long-term debt without Commission approval
13 and submitted false financial reports to cover up the debt for five years.

14
15 Q. Identify the Exhibits that support Allegation I.

16
17 A. Formal Complaint, Aug. 23, 2011, W-04254A-11-0323, Exhibits 2, 3, 4, 5, 6 & 7
18

19 **Allegation II**

20
21 Q. What is the significance of Allegation II?

22
23 A. By failing to disclose the \$32,000 long-term debt in its Annual Reports, Montezuma
24 was also providing Commission staff with false and misleading financial information
25 used by Staff to prepare its audit report for the 2009 Rate Case.

26
27 Staff's 2009 audit report was also provided to WIFA as part of Montezuma's ATF loan
28 application. The fact that a \$32,000 loan was omitted from the Company's financial
29 reports is a material omission for a company that grosses approximately \$100,000 a year.

30
31 Allegation II therefore demonstrates that Montezuma deceived the Commission by
32 purposefully hiding a \$32,000 long-term loan in the 2007 Annual Report that served as
33 the basis for the 2009 Rate Case.

34
35 Q. Identify the Exhibits that support Allegation II.

36
37 A. Staff Report, June 15, 2009, MRWC's Application for a Permanent Rate Increase
38 (Docket No. W-04254A-08-0361, 0362).

39 **Allegation IV**

40
41
42 Q. What is the significance of Allegation IV?

43
44 A. Allegation IV demonstrates the continuing pattern of mismanagement and deception
45 by the Company when it included Well No. 4 as part of its "Water Company Plant
46 Description" in Annual Reports in 2007, 2008, 2009 and 2010. During this period,

1 Montezuma never had a valid Use Permit from Yavapai County to operate the
2 Commercial well on a residential lot.

3
4 Montezuma, however, included the well as part of its asset base in these Annual Reports
5 while at the same time failing to disclose that the Company had a long term liability
6 related to the undisclosed \$32,000 loan used to purchase the property.

7
8 Seven years after digging the well, Montezuma still does not have the County permit
9 needed to operate Well No. 4. The Company states it is resorting to condemnation
10 proceedings to acquire an easement on a neighbor's property to comply with Yavapai
11 County Water Well Code set back requirements.

12
13 Therefore, Allegation IV demonstrates the Company's failure to accurately describe its
14 asset base while understating its liabilities by selectively choosing which information to
15 include, or not include, in its Annual Reports. This pattern of misinformation permeates
16 Montezuma's filings with the Commission and other state and county agencies.

17
18 Q. Identify the Exhibits in support of Allegation IV.

19
20 A. Formal Complaint, Aug. 23, 2011, W-04254A-11-0323, Exhibits 9, 10, 11 & 12.

21 22 **Allegation VII**

23
24 Q. What is the significance of Allegation VII?

25
26 A. Allegation VII states that the Company failed to provide adequate service to its
27 customers by providing water in violation of federal and state arsenic standards.

28
29 Fifteen months before the Formal Complaint was filed, Montezuma had signed a June 7,
30 2010 ADEQ Consent Order. The Order required the company to provide drinking water
31 to its customers from the Company's office until Montezuma installed the ATF.

32
33 Requiring customers to obtain drinking water from the Company's office was a direct
34 result of the Company's failure to finance construction of an ATF in a reasonable time
35 period and in compliance with ADEQ and ACC regulations.

36
37 The only way the Company has been able to come into compliance with arsenic standards
38 was to violate Commission Procedural Orders and ARS S40-301, 302.

39
40 Therefore, Allegation VII demonstrates that Montezuma had been provided a reasonable
41 opportunity to provide adequate service to its customers but was unable legally to do so.

42
43 Q. Identify the Exhibits in Support of Allegation VII.

44
45 A. Formal Complaint, Aug. 23, 2011, W-04254A-11-0323, Exhibit 17.

1 **Allegation X**

2
3 Q. What is the significance of Allegation X?

4
5 A. Allegation X demonstrates the Company's ongoing pattern of providing misleading
6 statements to regulators.

7
8 When asked by an ACC investigator if the Company had obtained the proper county
9 zoning and use permits prior to and after construction of Well No. 4, the Company lied
10 when Ms. Olsen stated, "We obtained required permits to drill the well."

11
12 Ms. Olsen did not disclose to the investigator that Montezuma had failed to obtain a
13 zoning variance to use the residential lot for a commercial well site. The Company's
14 failure to obtain the zoning variance prior to construction resulted in Yavapai County
15 issuing a provisional Use Permit that required the company to also meet all other county
16 regulations.

17
18 Montezuma also drilled the well in violation of the County Water Code because it
19 violates the code's requirement for a 50-foot setback from two neighboring property.

20
21 As a result, Montezuma has been unable to operate Well No. 4.

22
23 Therefore, Allegation X demonstrates the Company's willingness to provide false and
24 misleading information to Commission investigators concerning the operation of a
25 production well that was constructed without the requisite county permits.

26
27 Q. Identify the Exhibits in support of Allegation X.

28
29 A. Formal Complaint, Aug. 23, 2011, W-04254A-11-0323, Ex. 18.

30
31 **Allegation XI**

32
33 Q. What is the significance of Allegation XI?

34
35 A. The allegation, which the Company admits, states that the Company illegally collected
36 a \$10.11 arsenic surcharge from its customers in the November 2009 bill.

37
38 The Company has never stated whether Customers were refunded the illegal surcharge.

39
40 Therefore, Allegation XI demonstrates that Montezuma is willing to take money from its
41 customers by illegally imposing an unauthorized surcharge.

42
43 Q. Identify the Exhibits in support of Allegation XI.

44
45 A. Formal Complaint, Aug. 23, 2011, W-04254A-11-0323, Ex 19.

1 **Allegation XII**

2
3 Q. What is the significance of Allegation XII?

4
5 A. The allegation, which the Company admits, states that for the second time the
6 Company illegally collected an arsenic surcharge, this time for \$15 in its April 2011
7 billing statement.

8
9 A commission investigator submitted questions to the Company concerning the
10 surcharge.

11
12 Ms. Olsen stated: "MRWC contacted the institution to discuss this matter. This left
13 MRWC in a position that it must provide evidence to the institution that it could meet the
14 debt service by implementing the arsenic surcharge...MRWC implemented the Arsenic
15 Surcharge on its April 1st, 2011, billing statement in order to provide documentation to
16 the private lending institution that it would be able to meet the debt service of the loan."
17 (Formal Complaint, Aug. 23, 2011, Ex 20, Pg. 3, W-04254A-11-0323)

18
19 This action is stunning on several levels.

20
21 First, this was the second time MRWC had implemented the unauthorized arsenic
22 surcharge without Commission approval.

23
24 Second, when faced with a fundamental management decision, MRWC elected to
25 illegally charge its customers an unauthorized surcharge in order to meet cash flow
26 requirements for a potential loan.

27
28 Third, MRWC was willing to commit bank fraud by telling a potential lender that it had
29 the ability to repay the loan through an arsenic surcharge that had not been approved by
30 the Commission.

31
32 Allegation XII demonstrates the Company was, for a second time, willing to take funds
33 from ratepayers by imposing an unauthorized surcharge and to commit bank fraud by
34 imposing an unauthorized arsenic surcharge and using the surcharge as evidence that it
35 could repay a bank loan.

36
37 Q. Identify the Exhibits in support of Allegation XII.

38
39 A. Formal Complaint, Aug. 23, 2011, Ex. 20, W-04254A-11-0323.

40
41 **Allegation XV**

42
43 Q. What is the significance of Allegation XV?

44
45 A. In September 2011, I was seeking MRWC financial records as an Intervenor in
46 Montezuma's Emergency Rate Increase in Docket W-04254A-11-0296. The Company

1 was refusing to comply with Data Requests. During a Sept. 12, 2011 Procedural
2 Conference, the Company, for the first time, revealed that its offices had been repeatedly
3 burglarized, company records stolen and computer hacked on numerous occasions
4 resulting in unauthorized emails being sent to customers.
5

6 In response to a question from the ALJ, Ms. Olsen stated she didn't notify the police
7 concerning the thefts.
8

9 Montezuma is required to maintain its books and records in accordance with the NARUC
10 Uniform System of Accounts.
11

12 Allegation XV demonstrates that Montezuma has failed to maintain its books and records
13 according the NARUC and took no action to protect its records after its office was
14 repeatedly burglarized. Such action shows gross negligence on the part of management in
15 the operation of a public service corporation.
16

17 **Allegation XVII**

18

19 Q. Please provide your direct testimony on Allegation XVII.
20

21 A. I hereby incorporate all filings and supporting exhibits filed in Docket W-04254A-
22 080-0361, 0362: W-04254A-12-0204, 0205, 0206 & 0207 and 04254A-11-0323.
23

24 In an earnest effort to substantially narrow this record, I hereby identify the following
25 filings and exhibits in W-04254A-080-0361, 0362 as being the most relevant and likely
26 to be relied upon in the evidentiary hearing:
27

28 1. Emergency Motion for Temporary Restraining Order, May 16, 2012, Ex. 1, 2
29

30 I hereby identify the following filings and exhibits in W-04254A-12-0204, 0205, 0206 &
31 0207 as being the most relevant and likely to be relied upon in the evidentiary hearing:
32

33 1. Motion to Hold Montezuma in Contempt, Jan. 14, 2013, Ex. 1, 2, 3, 4, 5, 6
34 2. Notice of Filing Additional Exhibit, Jan. 15, 2013, Ex. 7
35

36 I hereby identify the following filings and exhibits in W-04254A-11-0323 as being the
37 most relevant and likely to be relied upon in the evidentiary hearing:
38

39 1. Motion to Add Allegation XVII, Feb. 12, 2013, Ex. 1
40 2. Exhibits 8 & 9 in support of Allegation XVII, Feb. 21, 2013, Ex. 8 & 9
41 3. Exhibit 10 in Support of Allegation XVII, Feb. 25, 2013, Ex. 10
42

43 I hereby identify the following filings and exhibits in the Consolidated Docket W-
44 04254A-12-0204, 0205, 0206, 0207; W-04254A-11-0323; W-04254A-08-0361, 00362 as
45 being the most relevant and likely to be relied upon in the evidentiary hearing:
46

- 1 1. Amended Formal Complaint, Feb. 27, 2013
- 2 2. Corrected Amended Formal Complaint, Feb. 28, 2013
- 3 3. Exhibit 11 in support of Amended Complaint, March 1, 2013, Ex. 11
- 4 4. Notice of Filing Additional Exhibits, March 21, 2013, Ex. 11A, 13
- 5 5. Statement of Facts in Support of Motion for Summary Judgment, April 15, 2013;
- 6 Exhibits 1, 2, 3, 4, 5, 6, 7, 8.
- 7 6. Motion for Partial Summary Judgment, April 15, 2013;
- 8 7. Motion to Bar Rate Application, April 15, 2013, Ex. 1, 2, 3, 4, 5

9
10 In addition, I hereby include the following Exhibits appended to this filing.

- 11 1. Exhibit 14, Nov. 30, 2009 email from Patricia Olsen to Henry R. Darwin
- 12 2. Exhibit 15, ADEQ Notice of Violation to Montezuma, April 12, 2012

13
14 Q. Please describe the events that serve as the basis of Allegation XVII?

15
16 A: Montezuma's failure to fund construction of the ATF and ADEQ's June 7, 2012
17 Consent Order deadline culminated with the Company knowingly and willfully violating
18 three Procedural Orders² issued in early 2012 in W-04254A-08-0361, 0362 and secretly
19 incurring long-term debt to finance the ATF without prior Commission approval in
20 violation of ARS S40-301, 302.

21
22 By March 2012, Montezuma was under intense pressure from ADEQ to come into
23 compliance with a June 7, 2010 Consent Order to install the ATF. (ADEQ Notice of
24 Violation to MRWC, April 11, 2012, Ex. 15, appended)

25
26 Montezuma had been unable to secure financing since it withdrew its WIFA loan
27 application in January 2011. The company then failed to obtain private financing and an
28 Emergency Rate Increase in docket W-04254A-11-0296.

29
30 With its back against the wall, the Company had only one choice: Sign Capital Lease
31 agreements for the ATF.

32
33 "At that time, MRWC faced substantial pressure from ADEQ to address the
34 arsenic problem. MRWC attempted to find financing for the arsenic treatment facilities
35 and Odyssey Financial³ provided the only available option." (Olsen Declaration, Par. 8,
36 Lines 4-6, May 15, 2013, W-04254A-12-0204, Et seq.)

37
38 But the Company also knew from previous Procedural Conferences and Orders that a
39 Capital Lease was considered long-term debt and that the Commission must approve
40 long-term debt.

41
42

² Jan. 4, 2012, Procedural Order, W-04254A-08-036 1, W-04254A-08-0362;
March 12, 2012, Procedural Order, W-04254A-08-036 1, W-04254A-08-0362;
April 9, 2012, Procedural Order, W-04254A-08-036 1, W-04254A-08-0362

³ Odyssey Financial and Nile River Leasing are separate leasing companies owned by John Torbenson. (Personal Communication with Mr. Torbenson, May 21, 2013)

1 "MRWC is a company which is regulated by the Arizona Corporation Commission
2 (ACC) and is unable to incur long term debt without their (sic) approval." (Patricia Olsen
3 email to Henry R. Darwin, Nov. 30, 2009, appended to this document as Ex. 14)

4
5 The Company sought to avoid Commission review of the Capital Leases in W-04254A-
6 08-0361, 0362 because it was unlikely the leases would have been approved. The
7 Company's persistent operating losses would not have allowed for additional debt of
8 approximately \$1,400 a month needed to pay for the leases without modification of the
9 arsenic surcharge approved in Decision 71317.

10
11 "Evaluating the appropriateness of a capital lease involves determining whether the
12 utility has sufficient cash flow to make the lease payments and does not involve the
13 setting of rates." (Commission Staff Report, Pg 4, Lines 3-7, April 27, 2013, W-04254A-
14 08-0361, 0362)

15
16 Furthermore, by March 2012, the time needed for Commission review and possible
17 approval of the Capital Leases and possible modification to the arsenic surcharge as well
18 as comments and objections from the Intervenor would not have given the Company
19 enough time to order and install the ATF equipment prior to ADEQ's June 7, 2012
20 deadline.

21
22 Violation of the ADEQ Consent Order would have resulted in notification to the
23 Commission that Montezuma was not in compliance with ADEQ regulations, providing
24 sufficient legal foundation for the Commission to issue a Show Cause Order to revoke
25 Montezuma's CCN.

26
27 Montezuma's goal was to move approval of the Capital Leases out of W-04254A-08-
28 0361/0362 docket where any delay would trigger a violation of the ADEQ Consent Order
29 and into the upcoming rate case where the lease agreements could be handled after the
30 fact. Decision 71317 required Montezuma to file a new rate case by May 31, 2012.

31
32 If that meant disobeying Procedural Orders and ARS S40-301, 302, so be it.

33
34 "The Company intended that the lease agreement would be considered and reviewed by
35 the Commission in its rate case." (Olsen Declaration, Par. 10, Lines 25-26, May 15, 2013,
36 W-04254A-12-0204, Et seq.)

37
38 Complicating Montezuma's plan to avoid commission approval of Capital Leases in the
39 W004254A-08-0361, 0362 Docket, was the fact that the Commission had issued three
40 Procedural Orders on Jan. 4, March 12 and April 9, 2012 in W-04254A-08-0361, 0362
41 requiring the Company to docket all lease agreements entered into by the Company
42 and/or Ms. Olsen in connection with the ATF.

43
44 In order to give the appearance that the Company was complying with the Procedural
45 Orders, Ms. Olsen, while represented by counsel, on March 19, 2012 personally docketed
46 in W-04254A-08-0361, 0362 two lease agreements dated March 16, 2012 between Mrs.

1 Olsen, personally, and Nile River Leasing Company. (Statement of Facts, Motion for
2 Partial Summary Judgment, Ex. 1, April 15, 2013)

3
4 On April 13, 2012, Montezuma's Counsel docketed a "Notice of Filing" in W-04254A-
5 08-0361, 0362 that included copies of the March 16, 2012 Nile River leases, along with a
6 "Water Services Agreement".⁴

7
8 The Company's counsel argued in an April 27, 2012 Legal Brief that the March 16, 2012
9 leases between Ms. Olsen, acting personally, and Nile River were not subject to
10 Commission review.

11
12 The Company's counsel also stated that Ms. Olsen intended to sublease the ATF
13 equipment to Montezuma through the Water Services Agreement that the Company
14 claimed was also exempt from Commission review because it was an operating
15 agreement.

16
17 Commission Staff, however, concluded that the Water Services Agreement was a Capital
18 Lease that would need Commission approval.

19
20 "Staff believes that the Water Services Agreement represents a lease, that the lease is a
21 capital lease, and because it is a capital lease, Arizona Corporation Commission
22 ("Commission") approval will be necessary for the lease to go into effect." (Staff Report,
23 Pg. 1, Lines 25-27, April 27, 2012, W-04254A-08-0361, 0362)

24
25 Montezuma's Counsel stated at the conclusion of the April 30, 2012 Procedural
26 Conference that he would submit a new Water Services Agreement that would qualify as
27 an operating lease and therefore become exempt from Commission approval.

28
29 Montezuma, however, never submitted a modified Water Services Agreement for Staff's
30 review.

31
32 The reason is now clear. The Company, rather than Ms. Olsen, had already secretly
33 signed Capital Lease agreements for the ATF on March 22, 2012 and therefore there was
34 no need for the Water Services Agreement.

35
36 The March 16, 2012 leases signed by Ms. Olsen were never the true and effective leases
37 but were docketed to purposely mislead the Commission and the public into believing
38 that Ms. Olsen had signed the leases that were not subject to Commission review.

39
40 Furthermore, Nile River executives state in sworn affidavits obtained in March 2013 that
41 the Company never entered into lease agreements with Ms. Olsen, personally, and the
42 signature that appears on the March 16, 2012 lease agreements on behalf of Nile River is
43 not that of Nile River employee Robin Richards. Ms. Richards is not authorized to sign

⁴ Montezuma's Counsel made this representation even though Montezuma had already signed Capital Leases with Nile River Leasing and Financial Pacific on March 22, 2012.

1 leases. (Statement of Facts, Motion for Partial Summary Judgment, Ex. 5 & 6, April 15,
2 2013)

3
4 In order for Montezuma to accomplish its goal of installing the ATF prior to the ADEQ
5 June 7, 2012 deadline, it was necessary for the Company to sign the Capital Leases.

6
7 "As originally proposed, I intended to proceed with the personal leases with Nile River in
8 order to expedite the financing and construction of the arsenic facilities. Subsequently,
9 however, Nile River informed me that it could not enter a lease with me personally and
10 that the Company needed to be party to the agreement." (Olsen Declaration, Par. 8, Lines
11 7-11, May 15, 2013, W-04254A-12-0204, Et seq.)

12
13 On March 22, 2012, Montezuma secretly signed a Capital Lease agreement with Nile
14 River Leasing for the ATF building. (Statement of Facts, Motion for Partial Summary
15 Judgment, Ex. 2, April 15, 2013,)

16
17 Montezuma also secretly signed a March 22, 2012 Capital Lease agreement with
18 Financial Pacific Leasing for the Arsenic treatment equipment. (Statement of Facts,
19 Motion for Partial Summary Judgment, Ex. 3, April 15, 2013)

20
21 The two March 22, 2012 Capital Lease agreements signed by the Company were not
22 disclosed to the Commission in violation of the three Procedural Orders and in violation
23 of ARS S. 40-301 and 302 requiring Commission approval prior to entering into long-
24 term debt.

25
26 Montezuma received substantial benefit from violating the Commission's orders because
27 the illicit action allowed the Company to comply with ADEQ Consent Order and,
28 therefore, avoid possible Commission sanctions. The secret Capital Lease agreements
29 allowed Montezuma to order, receive and install the ATF building and equipment and
30 have it operational prior to the ADEQ June 7, 2012 Consent Order deadline.

31
32 "On those issues, it bears repeating that MRWC was under immediate orders and
33 pressure from ADEQ to install arsenic treatment system. For that reason, MRWC
34 proceeded with the lease agreements and installation of the arsenic facility." (Olsen
35 Declaration, Par. 11, Lines 2-5, May 15, 2013, W-04254A-12-0204, Et seq.)

36
37 Montezuma did not disclose the secret March 22, 2012 leases until October 25, 2012,
38 when Ms. Olsen, who was not represented by Counsel at the time, slipped incomplete and
39 misdated Capital Leases into a filing docketed in the Company's Rate Case application
40 W-04254A-12-0204, 0205, 0206, 0207. (Statement of Facts, Motion for Partial Summary
41 Judgment, Ex. 4, April 15, 2013)

42
43 In the filing, Montezuma did not include Rider No. 2 in the Nile River lease agreement
44 that showed the agreement qualified as a Capital Lease. The Company continued to insist
45 that the Nile River Lease was not a Capital Lease as recently as April 12, 2013 when it
46 stated:

1 "MRWC does not believe that the Nile River Lease qualifies as a capital lease, but the
2 Company is willing to submit that lease to the Commission for review and approval."
3 (Notice of Filing Financing Applications, Pg. 1, Footnote 1, April 12, 2013, W-04254A-
4 12-0204 Et seq.)

5
6 The Rider was obtained in March 2013 through subpoena to Nile River. Montezuma now
7 accepts that the Nile River lease is a Capital lease, but now claims it didn't previously
8 have a copy of the Rider.

9
10 "The Company also acknowledges that the Nile River lease agreement is a capital lease
11 based on Rider 2. Unfortunately, MRWC did not have a copy of Rider 2 in its files."
12 (Olsen Declaration, Par. 9, Lines 15-17, May 15, 2013, W-04254A-12-0204, Et seq.)

13
14 In its October 25, 2012 filing, Montezuma also submitted only four of the first five pages
15 of the Financial Pacific lease agreement that was dated May 2, 2012. (Statement of Facts,
16 Motion for Partial Summary Judgment, Ex. 4, April 15, 2013) ⁵

17
18 Montezuma continues to insist that May 2, 2012 is the effective date of the Financial
19 Pacific lease.

20
21 "I consider(ed) the May 2012 Financial Pacific lease as the final agreement." (Olsen
22 Declaration, Par. 14, Lines 1-2, May 15, 2013, W-04254A-12-0204, Et seq.)

23
24 Financial Pacific has stated that the May 2, 2012 Financial Pacific lease docketed by
25 MRWC in October 2012 is an "unauthorized modified version" of the true and correct
26 lease Financial Pacific signed with Montezuma on March 22, 2012. (Statement of Facts
27 in Support of Motion for Summary Judgment, Ex. 8. April 15, 2013)

28
29 Financial Pacific filed a UCC Financing Statement with Arizona Secretary of State on
30 May 9, 2012 stating that the Capital Lease with Montezuma was dated April 3, 2012.
31 (Notice of Filing Exhibit, Ex. 7, January 15, 2013, W-04254A-12-0204 Et. Seq.)

32
33 In a March 22, 2013 letter, Financial Pacific's legal department explained that the lease
34 was signed on March 22, 2012, but that it was not officially booked into its records until
35 April 3, 2012. (Statement of Facts, Motion for Partial Summary Judgment, Ex. 8, April
36 15, 2013)

37
38 Montezuma also failed to provide copies of the October 2012 filing to any of the parties
39 in the Rate Case Docket, in violation of Commission regulations. Furthermore, the
40 Company failed to disclose the Capital Lease agreements in the W-04254A-08-
41 0361/0362 docket where the Procedural Orders required their disclosure. (Insufficiency
42 Submittal and Amendments, Oct. 25, 2012, W-04254A-12-0204 Et. Seq.)

43

⁵ The fifth page of the agreement, obtained through subpoena to Financial Pacific in March 2013, shows that Ms. Olsen signed the lease on March 22, 2012. (Statement of Facts Motion for Partial Summary Judgment, Ex. 3, April 15, 2013)

1 Montezuma now admits that it should have provided the Commission with the two
2 Capital Lease agreements in response to the Procedural Orders issued in W-04254A-08-
3 0361/0362. The Company repeatedly offered its apologies for failing to do so in its May
4 15, 2013 Response to Motion for Partial Summary Judgment.

5
6 "The Company acknowledges that the Company should have docketed the lease
7 agreements and apologizes for the mistake." (Olsen Declaration, Par. 15, Lines 5-6, May
8 15, 2013, W-04254A-12-0204, Et seq.)

9
10 Montezuma is now brazenly seeking retroactive approval of the Capital Leases that it
11 improperly hid from the Commission in 2012.

12
13 Regardless of whether the Commission might have the authority to retroactively approve
14 Capital Leases, to do so in this instance -- after being purposely deceived by Montezuma
15 -- would send a clear signal that the Commission's rules and orders are meaningless and
16 can be flagrantly disobeyed with impunity when it is to the Company's advantage.

17
18 Montezuma's lengthy, ongoing, calculated and intentional violation of Commission
19 orders and regulations clearly shows the Company does not legally operate in the public
20 interest.

21
22 Therefore, the Commission has the power and the duty to hold Ms. Olsen, Montezuma
23 and Montezuma's Counsel in Contempt of the Commission for withholding Capital
24 Leases and submitting invalid leases in their place and to revoke the Company's
25 Certificate of Convenience and Necessity authorized in Decision No. 67583, dated
26 February 15, 2005.

27
28 [REDACTED]
29
30 [REDACTED]
31
32 [REDACTED]
33 [REDACTED]
34 [REDACTED] notice to the commission that it had submitted the leases, and
35 [REDACTED]
36 [REDACTED]

37 [REDACTED] that a regulation is in the public interest.
38 [REDACTED]
39 [REDACTED]

40 [REDACTED]
41 [REDACTED] regulation by the Commission and is in the public interest.
42 [REDACTED] amendment at any time upon notice to the Commission by
43 [REDACTED]. (Emphasis added.) (Davis, 90 Ariz. at 218, 393 P.2d at 911 (1964)).

44
45 [REDACTED] is the controlling factor in decisions concerning service of
46 [REDACTED]

1 & Bond Agency, 3 Ariz. App. 459, 463 P.2d 772 (1966).
2
3 The Arizona Supreme Court held this view when it stated, "The Commission's
4 authority to exercise its power of convenience and necessity is controlled by the public
5 interest." Arizona Bond Agency v. Arizona Public Service Co., 1985 Ariz. App. 12d 404 (1985).
6
7
8 The Commission held that it is in the public interest that the Commission
9 provide the opportunity to provide adequate service at reasonable rates before its
10 orders are issued or modified.
11
12 The Commission held that the Commission is entitled to provide adequate service at a
13 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
14 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
15 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
16 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
17 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
18 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
19 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
20 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
21 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
22 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
23 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
24 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
25 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
26 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
27 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
28 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
29 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
30 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
31 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
32 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
33 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
34 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
35 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
36 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
37 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
38 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
39 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
40 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
41 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
42 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
43 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
44 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
45 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a
46 reasonable rate. The Commission held that the Commission is entitled to provide adequate service at a

- 1
- 2
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15
- 16
- 17
- 18
- 19
- 20
- 21
- 22
- 23
- 24
- 25
- 26
- 27
- 28
- 29
- 30
- 31

Conclusion

Q. Please provide a summarizing statement.

A. Montezuma's violation of Commission Orders and ARS S 40-301, 302 to avoid violation of an ADEQ Consent Order must not be tolerated. This flagrant and calculated action played out over a year deserves a punishment beyond a slap on the wrist and a small fine.

Sufficient evidence has been submitted indicating a serious criminal act, forgery, was part of the Company's scheme. The Commission should refer this matter to the Attorney General or County Attorney for further investigation.

The Company's long history of disregarding Commission rules and regulations culminating with the failure to disclose Capital Leases and submission of invalid leases that appear to be forged provides substantial and legal justification for the Company, Ms. Olsen and Montezuma's Counsel to be held in Contempt of the Commission and for the revocation of the Company's CC&N.

Q. Does this conclude your direct testimony.

A. Yes.

E x 14

From: Patricia Olsen (patsy@montezumawater.com)
To: hrd@azdeq.gov;
Date: Mon, November 30, 2009 3:31:25 PM
Cc: csc@azdeq.gov;
Subject: Montezuma Rimrock Water Company LLC

November 30, 2009

Henry R. Darwin
Arizona Department of Environmental Quality
1110 W. Washington St.
Phoenix, AZ 85007

Dear Mr. Darwin,

I own and operate Montezuma Rimrock Water Company, LLC (MRWC). I purchased the water company in July of 2005. When this water company was purchased, it had no arsenic treatment system in place. Originally, the prior owners submitted a plan to ADEQ for the installation of POU units in each home due to the small number of customers. When it was purchased, the water company had approximately 123 customers. Within two years, the customer base grew unexpectedly to over 200 customers. This required MRWC to reevaluate the original POU plan and seek a centralized form of treatment.

MRWC is a company which is regulated by the Arizona Corporation Commission (ACC) and is unable to incur long term debt without their approval. MRWC did not receive approval to seek WIFA funding until October 21, 2009 from ACC. MRWC must now wait until December 16, 2009 to receive approval from WIFA. MRWC has no resources to move forward with the arsenic treatment system until WIFA releases funds which is not scheduled until after December 16, 2009 and will expeditiously as possible install its arsenic treatment system. Operation of the arsenic treatment system is expected to begin April 30, 2009. MRWC's progress is and has been based on government agencies and their progress. MRWC has been making every effort to comply but is powerless to affect the speed of regulatory agencies.

MRWC received a draft consent order from ADEQ regarding the arsenic exceedence and subsequently requested a meeting with Ms. Vivian Burns. In a recent meeting with Ms. Burns, MRWC stated that it agreed with the consent order with the exception of the alternative drinking water provision. MRWC also informed Ms. Burns that it plans to have its arsenic treatment system installed and operating by April 30, 2009. MRWC asked Ms. Burns how long it had to sign the consent order and Ms. Burns stated that MRWC had until December 31, 2009. In the consent order it states that within 15 days of the signing of the consent order, MRWC must provide an alternative drinking water source to its customers. On November 23, 2009, MRWC received an email from Ms. Burns stating that MRWC must provide an alternative drinking water supply for its customers by December 1st, 2009. At this time, MRWC is unaware of any other water companies within the Verde Valley that must provide an alternative drinking water supply to its customers by December 1st. The City of Cottonwood, Big Park Water Company, and Pine Valley Water Company have not received orders to provide an alternative drinking water supply to its customers by December 1st. Although the City of Cottonwood is overseen by EPA, Ms. Burns in her email states, "I can't comment on the EPA ruling(s)." Although Big Park Water Company has some arsenic treatment systems in place, it still is serving many of its customers untreated water.

MRWC contacted Ms. Corrine Li from Region 9 of the EPA to seek a waiver in providing an alternative drinking water source. Ms. Li stated that the EPA would expect that ADEQ would provide a "level playing field with all companies". Ms. Li also stated that "with arsenic levels of 30-35, they do not expect there to be long term health effects."

MRWC is unable to provide an alternative drinking water source within the requested time frame for the following reasons:

1. Providing an alternative drinking water supply to its 480 customers each day would create a financial hardship on the company.
2. MRWC currently has no facilities to handle drive up water customer distribution.
3. To provide drive up water customer distribution would require that MRWC submit an Approval to Construct to ADEQ in order to restructure its water treatment facility. An ATC from ADEQ requires approximately 6 weeks.
4. Having to provide a temporary water situation will hinder a permanent solution.

MRWC has informed and communicated with Ms. Burns on the following:

- MRWC has been working with its engineers, Environmental Hydro-Systems
- MRWC has been working with ACC and received approval on October 21, 2009
- MRWC has been working with WIFA and anticipates financial assistance in December, 2009
- MRWC has been providing the quarterly monitoring although in the consent order Ms. Burns states it has not.

MRWC does not feel that ADEQ is providing a "level playing field" in this matter. MRWC can find no evidence of aggressive action that has been taken with local water companies such as The City of Cottonwood, Big Park Water Company and Pine Valley Water Company. MRWC understands that there are companies that have not made their applications to ACC and WIFA. Furthermore, although MRWC has been doing its best, it does not feel that it should have been subjected to off the cuff, unprofessional and derogatory comments made to Ms. Olsen by Ms. Burns. Ms. Burns stated to Ms. Olsen, "You must be sleeping with the guys over at the Arizona Corporation Commission for them to be so helpful to you."

MRWC requests that it be given until May 30, 2009 to install and begin operation of its intended arsenic treatment system. It is also requesting that the demand for the providing of alternative drinking water to its customers be removed. MRWC also requests an apology from ADEQ for the insulting comment made by ADEQ staff.

Sincerely,

Patricia D. Olsen
Montezuma Rimrock Water Company LLC

Cc: Cynthia Campbell

*Patricia D. Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335*

Ex 15



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov



Stephen A. Owens
Director

April 11, 2012

CERTIFIED MAIL
Return Receipt Requested

Patricia D. Olsen
Montezuma Rimrock Water Co, LLC
P.O. Box 10
Rimrock, Arizona 86335-0010

Subject: Administrative Notice of Violation, Public Water System #13-071
Montezuma Rimrock Water Co, LLC – Case # 130760

Dear Mr. Olsen:

The attached **Administrative Notice of Violation** ("NOV") is an informal compliance assurance tool used by the Arizona Department of Environmental Quality ("ADEQ") to put a responsible party (such as a facility owner or operator) on notice that the Department believes a violation of an administrative order issued by ADEQ has occurred. It describes the facts known to ADEQ at the time of issuance and cites the provision(s) of the order that ADEQ believes the party has violated. The NOV in no way changes obligations or time frames specified within the administrative order.

An NOV does not constitute an appealable agency action. Rather, an NOV provides the responsible party an opportunity to do any of the following before ADEQ takes **formal enforcement action**: (1) meet with ADEQ and discuss the facts surrounding the violation, (2) demonstrate to ADEQ that no violation has occurred, or (3) document that the violation has been corrected. Although the NOV states that ADEQ will agree to extend the NOV time frames only in a compliance schedule negotiated in the context of an administrative consent order or civil consent judgment, for violations(s) of an administrative order, ADEQ will agree to extend the time frames in the context of civil consent judgment only.

ADEQ reserves the right to take a formal enforcement action, such as filing a civil lawsuit or revoking/suspending an associated permit, regardless of whether the Department has issued an NOV. Neither ADEQ's issuance of an NOV nor its failure to do so precludes the Department from pursuing these remedies. However, the timeliness of a complete response to this notice will be considered by ADEQ in determining if and how to pursue such remedies.

Sincerely,

Marcia Colquitt, Manager
Water Quality Enforcement Unit

Northern Regional Office
1801 W. Route 66 • Suite 117 • Flagstaff, AZ 86001
(928) 779-0313

Southern Regional Office
400 West Congress Street • Suite 433 • Tucson, AZ 85701
(520) 628-6733

Montezuma Rimrock Water Co.

April 11, 2012

Page 2 of 2

Enclosure:

Amendment #1 to Consent Order DW-36-10 (Effective date June 2, 2011)

Cc:

Vivian Burns, ADEQ Water Quality Enforcement Unit

Vivian Adams, ADEQ Drinking Water Section

Steve Olea

Utilities Division

Arizona Corporation Commission

1200 W. Washington St.

Phoenix, AZ 85007-2996

Yavapai County Community Health Services

Robert Resendes, Director

1090 Commerce Drive

Prescott, AZ 86305



Janice K. Brewer
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street Phoenix, Arizona 85007
(602) 771-2300 www.azdeq.gov



Henry R. Darwin
Director

CERTIFIED MAIL
Return Receipt Requested

Case ID #: 130760

April 11, 2012

Montezuma Rimrock Water Co LLC
Attention: Patricia D. Olsen
PO Box 10
Rimrock, AZ 86335-0010

Subject: Montezuma Rimrock Water Co, Place ID 19794
LAT: 34d, 39', 1" N LNG: 111d, 46', 9" W

NOTICE OF VIOLATION

The Arizona Department of Environmental Quality (ADEQ) has reason to believe that Montezuma Rimrock Water Co LLC as the owner/operator of Montezuma Rimrock Water Co has violated a requirement of the Arizona Revised Statutes (A.R.S.), a rule within the Arizona Administrative Code (A.A.C.), or an applicable permit/license, administrative order or civil judgment. ADEQ discovered the violations alleged below during a file review completed on April 09, 2012.

I. LEGAL AUTHORITY and NATURE OF ALLEGED VIOLATION(S)

1. Administrative Order DW-36-10 - Section III (C)

Notwithstanding the disposition of finding, MRWC [Montezuma Rimrock Water Company] shall complete construction of the approved arsenic treatment system and submit an administratively complete application for an Approval of Construction (AOC) for the treatment system described in Section III (B) [of Consent Order DW-36-10] no later than April 7, 2012.

Amendment #1 to Consent Order DW-36-10 became effective June 2, 2011. The Amendment requires MRWC to complete installation of an arsenic treatment system and submit an administratively complete application for an Approval of Construction (AOC) for the treatment system no later than April 7, 2012. To date, MRWC has not submitted an AOC for the installation of an arsenic treatment system.

II. DOCUMENTING COMPLIANCE

1. Within 30 calendar days of receipt of this Notice, please submit documentation that the violation(s) never occurred, or submit to ADEQ all required information to complete the application for the AOC for the arsenic treatment system.
2. Within 7 calendar days of receipt of this Notice, please submit documentation that the violation(s) never occurred, or contact Vivian Burns, ADEQ Water Quality Enforcement Case

Southern Regional Office
400 West Congress Street Suite 433 Tucson, AZ 85701
(520) 628-6733

Printed on recycled paper

Manager, at (602) 771-4608 to schedule a meeting with ADEQ.

III. SUBMITTING COMPLIANCE DOCUMENTATION

Please send all compliance documentation and any other written correspondence regarding this Notice to ADEQ at the following address:

Arizona Department of Environmental Quality, Attention: Vivian J. Burns, Water Quality Compliance Enforcement Unit, 1110 W Washington St, Phoenix, AZ 85007 MC: 5415B-1

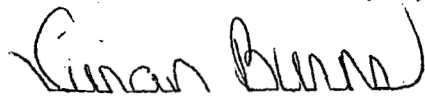
IV. STATEMENT OF CONSEQUENCES

1. The time frames within this Notice for achieving and documenting compliance are firm limits. Failure to achieve or document compliance within the time frames established in this Notice will result in an administrative compliance order or civil action requiring compliance within a reasonable time frame, substantial civil penalties, and/or the suspension or revocation of an applicable permit/license. ADEQ will agree to extend the time frames only in a compliance schedule negotiated in the context of an administrative consent order or civil consent judgment.
2. Achieving compliance does not preclude ADEQ from seeking civil penalties, and/or suspending or revoking an applicable permit/license for the violation(s) alleged in this Notice as allowed by law.

V. OFFER TO MEET

ADEQ is willing to meet regarding this Notice. To obtain additional information about this Notice or to schedule a meeting to discuss this Notice, please contact Vivian J. Burns at (602) 771-4608.


Marcia R. Colquitt, Manager
Water Quality Compliance Enforcement Unit


Vivian J. Burns
Water Quality Compliance Enforcement Unit

C-EX 93

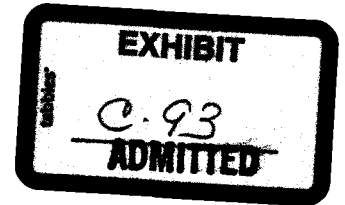
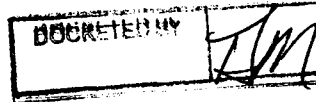
ORIGINAL

John E. Dougherty
PO Box 501
Rimrock, AZ 86335
Complainant & Intervenor

BEFORE THE ARIZONA CORPORATION COMMISSION

Arizona Corporation Commission
DOCKETED

JUN 06 2013



COMMISSIONERS

BOB STUMP-Chairman
GARY PIERCE
BRENDA BURNS
BOB BURNS
SUSAN BITTER SMITH

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING TO
INSTALL A WATER LINE FROM THE WELL ON
TIEMAN TO WELL NO. 1 ON TOWERS

W-04254A-12-0204

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING TO
PURCHASE THE WELL NO. 4 SITE AND THE
COMPANY VEHICLE.

W-04254A-12-0205

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER COMPANY,
LLC FOR APPROVAL OF FINANCING FOR AN
8,000-GALLON HYDRO-PNEUMATIC TANK

W-04254A-12-0206

IN THE MATTER OF THE RATE
APPLICATION OF MONTEZUMA RIMROCK
WATER COMPANY, LLC.

W-04254A-12-0207

JOHN E. DOUGHERTY,
COMPLAINANT,
V.
MONTEZUMA RIMROCK WATER
COMPANY, LLC,
RESPONDENT.

W-04254A-11-0323

AZ CORP COMMISSION
DOCKET CONTROL

2013 JUN -6 P 3:42

RECEIVED

1 IN THE MATTER OF THE APPLICATION OF
2 MONTEZUMA RIMROCK WATER
3 COMPANY, LLC FOR APPROVAL OF A
4 RATE INCREASE.
5

W-04254A-08-0361

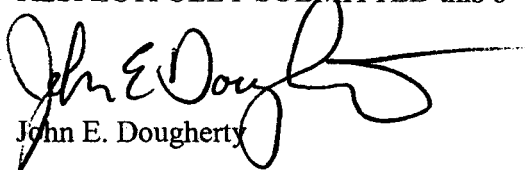
6 IN THE MATTER OF THE APPLICATION OF
7 MONTEZUMA RIMROCK WATER
8 COMPANY, LLC FOR APPROVAL OF A
9 FINANCING APPLICATION.
10

W-04254A-08-0362

11 **Complainant/Intervenor's**
12 **Notice of Filing**
13 **Responsive Testimony**
14

15 Complainant/Intervenor hereby files the Responsive Testimony of John E. Dougherty in
16 the consolidated dockets.
17

18 RESPECTFULLY SUBMITTED this 6th Day of June, 2013.
19

20 
21
22 John E. Dougherty
23

24 Copies of the foregoing Mailed/Hand Delivered
25 This 6th day of June, 2013 to:
26

27 Todd C. Wiley
28 2934 E. Camelback, Rd.
29 Suite 600
30 Phoenix, AZ 85016
31

Janice Alward
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

32 Patricia D. Olsen, Manager
33 Montezuma Rimrock Water Company
34 PO Box 10
35 Rimrock AZ 86335
36

Steve Olea
Arizona Corporation Commission
1200 W. Washington St.
Phoenix, AZ 85007

37 Lyn Farmer
38 Arizona Corporation Commission
39 1200 W. Washington St.
40 Phoenix, AZ 85007
41
42
43
44
45
46
47

1 **BEFORE THE ARIZONA CORPORATION COMMISSION**
2
3

4 **COMMISSIONERS**
5

6 BOB STUMP-Chairman
7 GARY PIERCE
8 BOB BURNS
9 SUSAN BITTER SMITH
10 BRENDA BURNS
11

12 _____
13 IN THE MATTER OF THE APPLICATION OF
14 MONTEZUMA RIMROCK WATER COMPANY,
15 LLC FOR APPROVAL OF FINANCING TO
16 INSTALL A WATER LINE FROM THE WELL ON
17 TIEMAN TO WELL NO. 1 ON TOWERS

W-04254A-12-0204

18 _____
19 IN THE MATTER OF THE APPLICATION OF
20 MONTEZUMA RIMROCK WATER COMPANY,
21 LLC FOR APPROVAL OF FINANCING TO
22 PURCHASE THE WELL NO. 4 SITE AND THE
23 COMPANY VEHICLE.

W-04254A-12-0205

24 _____
25 IN THE MATTER OF THE APPLICATION OF
26 MONTEZUMA RIMROCK WATER COMPANY,
27 LLC FOR APPROVAL OF FINANCING FOR AN
28 8,000-GALLON HYDRO-PNEUMATIC TANK

W-04254A-12-0206

29 _____
30 IN THE MATTER OF THE RATE
31 APPLICATION OF MONTEZUMA RIMROCK
32 WATER COMPANY, LLC.

W-04254A-12-0207

33 _____
34 JOHN E. DOUGHERTY,
35 COMPLAINANT,
36 V.
37 MONTEZUMA RIMROCK WATER
38 COMPANY, LLC,
39 RESPONDENT.

W-04254A-11-0323

40 _____
41 IN THE MATTER OF THE APPLICATION OF
42 MONTEZUMA RIMROCK WATER
43 COMPANY, LLC FOR APPROVAL OF A
44 RATE INCREASE.

W-04254A-08-0361

45 _____
46 IN THE MATTER OF THE APPLICATION OF
47 MONTEZUMA RIMROCK WATER
48 COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION.

W-04254A-08-0362

1 **Responsive Testimony**
2 **Of**
3 **John E. Dougherty**
4 **Complainant/Intervenor**

5
6 **June 6, 2013**

7
8 **Table of Contents**

9
10 **Introduction.....Page 1**
11 **Responsive Testimony to Montezuma's Direct Testimony.....Page 1**
12 **Recommendation.....Page 16**
13 **Responsive Testimony to Staff's Direct Testimony.....Page 16**
14 **Recommendation.....Page 22**
15 **List of Exhibits.....Page 25**

16
17 **Introduction**

18
19
20 **Q. Please state your name and address.**

21
22 A. My name is John E. Dougherty. My residence is 5225 N. Bentley Drive, Rimrock, AZ
23 86335.

24
25 **Q. Did you submit testimony in this proceeding?**

26
27 A. Yes. I provided direct testimony as Complainant/Intervenor in this consolidated
28 docket.

29
30 **Q. What is the purpose of your responsive testimony herein?**

31
32 A. In my responsive testimony I will address issues raised in Direct Testimony by Ms.
33 Patricia Olsen on behalf of Montezuma Rimrock Water Company and Gerald Becker on
34 behalf of the Arizona Corporation Commission staff. I will address issues related to Ms.
35 Olsen's testimony first, and then address issues in connection with Mr. Becker's
36 testimony.

37
38 **Responsive Testimony to Montezuma's Direct Testimony**

39
40
41 **Q. Did Montezuma provide any exhibits in support of its direct testimony?**

42
43 A. No.
44

1 **Q. Ms. Olsen lists several past employers including the City of Glendale as a**
2 **Wastewater Treatment Operator, ADEQ as hydrologist III and the City of**
3 **Cottonwood as Water Superintendent. She also states she's been the "Certified**
4 **Operator" of other water supply systems. (Page 1, Lines 14-20).**

5
6 **What other public water supply systems have employed Ms. Olsen?**

7
8 A. Ms. Olsen was Water Utility Manager for the Town Clarkdale. She was hired on July
9 9, 2007. Ms. Olsen resigned on October 29, 2007. (Ex. 16)

10
11 **Q. Ms. Olsen states that Arizona Water was not interested in purchasing the water**
12 **company from MEPOA in 2004.**

13
14 **"In a meeting between Peter Sanchez (MEPOA) and Bill Garfield (Arizona Water)**
15 **in Sedona, Mr. Garfield told Mr. Sanchez that Arizona Water was not interested in**
16 **purchasing MEPOA's water company." (Page 3, Line 9-12). Ms. Olsen also states:**
17 **"The association was disappointed that AZ Water was not interested."**

18
19 **Is this a truthful scenario of the events?**

20
21 A. No. ACC records show that Arizona Water was interested in purchasing the water
22 company from MEPOA. Rather than being disappointed, MEPOA took direct action to
23 prevent Arizona Water's purchase of the company.

24
25 Arizona Water's president, William Garfield, submitted an Aug. 5, 2004 letter to Mr. Jim
26 Fisher, executive consultant for the Commission. "The Company is interested in
27 pursuing the acquisition of the Montezuma Estates water system if the Association is also
28 interested," Mr. Garfield stated. (Ex. 17).

29
30 Ms. Olsen's direct testimony that Arizona Water wasn't interested in buying the water
31 company contradicts what she told the Commission as documented in Decision No.
32 67583. "According to Ms. Arias (Olsen), a representative of AWC indicated to her that it
33 would only offer approximately \$80,000 for the system."¹

34
35 Not only was a minimum \$80,000 offer on the table, it was Peter Sanchez, who is Ms.
36 Olsen's father, who rebuffed Arizona Water's interest in purchasing the company. Mr.
37 Sanchez was MEPOA president. MEPOA had also hired Ms. Olsen to manage the water
38 company.

39
40 Mr. Sanchez's states in ACC testimony that after talking to 19 or 20 MEPOA members,
41 all of who reportedly didn't want to sell to AZ Water, that he informed AZ Water that
42 MEPOA wasn't interested in selling the company. "At that point, as representative of our
43 community, I took it upon myself to say no to Arizona Water."²

¹ Decision 67583, Page 6, Footnote 4

² Decision 67583, Page 7, Line 1

1 **Q. Ms. Olsen states she was provided multiple versions of lease agreements and that**
2 **she signed all of them.**

3
4 **"I received two leases for the building and the treatment system from Nile River**
5 **with me personally and then from Nile River and Financial Pacific with MRWC. All**
6 **were signed by myself but not on the same date because there was a problem in the**
7 **processing of the documents." (Page 11, Lines 6-10)**

8
9 **Given that Ms. Olsen states that she signed all of the various lease agreements, did**
10 **she violate Procedural Orders in the 0361/0362 docket?**

11
12 **A. Absolutely. The Commission issued three Procedural Orders dated Jan. 4, 2012,**
13 **March 12, 2012 and April 9, 2012, requiring the disclosure of all lease agreements in**
14 **connection with the arsenic treatment facilities.³ The Company did not disclose the**
15 **March 22, 2012 Capital Leases with Nile River and Financial Pacific in the 0361/0362**
16 **docket.**

17
18 **Q. Ms. Olsen states that she was under "pressure" from Yavapai County to install**
19 **the arsenic treatment facility.**

20
21 **"At that time, the Company was under pressure from ADEQ and the County to**
22 **construct the arsenic facilities and I felt I had no choice but to sign those agreements**
23 **in order to get the leases in place and build the system." (Page 11, Lines 13-16).**

24
25 **Is there any evidence that Yavapai County was placing "pressure" on Ms. Olsen to**
26 **install the arsenic treatment facility?**

27
28 **A. None whatsoever.**

29
30 **The issue in Yavapai County has never been the arsenic treatment facility. The issue**
31 **centers on Montezuma's failure in 2006 to obtain a use permit prior to operating a**
32 **commercial business in a residential area. In addition, Montezuma drilled Well No. 4 in**
33 **August 2006 in violation of the Yavapai County Water Well Code's 50-foot setback from**

³ On January 4, 2012, the Administrative Law Judge issued a Procedural Order in W-04254A-08-036 1, W-04254A-08-0362 stating: "IT IS FURTHER ORDERED that Montezuma Rimrock shall file copies of any and all written lease documents for the arsenic treatment plant and building as soon as such documents come into Montezuma. Montezuma Rimrock shall file copies of any and all written lease documents for the arsenic treatment plant and building as soon as such documents come into Montezuma Rimrock's possession and shall provide courtesy copies of those documents to Mr. Dougherty and Staff through electronic mail."

On March 12, 2012, the Administrative Law Judge issued a Procedural Order in Docket W-4254A-08-36 1, W-4254A-08-362 stating "that if Montezuma has executed any contractual documents related to purchase, construction installation, operation or maintenance of an arsenic treatment facility to treat the water from its Well #1 and/or Well #4, Montezuma shall, by March 30, 2012, file a copy of all such contractual documents in this docket."

On April 9, 2012, the Administrative Law Judge issued the following Procedural Order in Docket W-4254A-08-361, W-4254A-08-362: "IT IS FURTHER ORDERED that Montezuma, through counsel, shall, by April 13, 2012, file complete copies of any and all agreements that have been executed by Ms. Olsen individually or for Montezuma, for the purpose of Montezuma's obtaining arsenic treatment for its water supply."

1 two neighboring properties. Ms. Olsen has stated for years that Well No. 4 was a
2 necessary and integral part of the arsenic treatment system.

3
4 In March 2010, Yavapai County issued a conditional use permit to Montezuma for Well
5 No. 4. But a stipulation required the Company to be in compliance with all county
6 regulations, including the Water Well Code. Montezuma was unable to come into
7 compliance with the Code's setback regulation.

8
9 On April 10, 2012, Yavapai County Development Services revoked Montezuma's use
10 permit for Well No. 4.

11
12 On May 14, 2013, Yavapai County levied a \$5,000 civil penalty against Montezuma for
13 failing to comply with a Nov. 12, 2012 order to cease all uses of Well No. 4 property and
14 return to the property to vacant land. The order states that if Montezuma fails to pay the
15 fine within 30 days, it will increase to \$10,000 and will be turned over to collections. (Ex.
16 18)

17
18 **Q. When asked if she intended to have the lease agreements approved in the Rate**
19 **Case, Ms. Olsen answers yes. (Page 12, Lines 1-4).**

20
21 **Did Ms. Olsen have Commission permission to have the lease agreements approved**
22 **in a future docket?**

23
24 A. No. The Commission never gave Ms. Olsen permission to seek retroactive approval of
25 the Capital Lease agreements in the rate case. Montezuma waited more than seven
26 months before docketing incomplete and incorrectly dated Capital leases in the rate case
27 docket in October 2012.⁴

28
29 **Q. Ms. Olsen states that she "did not consult legal counsel" about the Capital Leases**
30 **Montezuma signed with Nile River and Financial Pacific on March 22, 2012.**

31
32 **"I did not consult legal counsel about these agreements at the time and due to the**
33 **pressure with ADEQ, I signed the leases. Again, I felt it was more important to get**
34 **the financing leases in place and proceed with construction of the arsenic facilities."**
35 **(Page 12, Lines 13-16)**

36
37 **What issues does Ms. Olsen's assertion that she did consult with legal counsel raise**
38 **for this case?**

39
40 A. Ms. Olsen's direct testimony raises serious issues.

41
42 If Ms. Olsen is not honestly disclosing Company actions to Montezuma's Counsel on the
43 central issue of this docket -- the necessity that Capital Leases must receive prior
44 approval by the Commission -- then Ms. Olsen is admitting that she intentionally misled

⁴ The Nile River Lease did not include Rider No. 2; The Financial Pacific lease was dated May 2, 2012 and did not include Page 5 that showed the lease was signed on March 22, 2012

1 her Counsel and, therefore the Commission and the Public, in March 2012 by failing to
2 disclose that Montezuma had signed Capital Leases.

3
4 Ms. Olsen's direct testimony that she didn't disclose that Montezuma had signed the
5 Capital Leases may have prevented Mr. Wiley from providing a legitimate and useful
6 purpose to Montezuma. Therefore, payment of Counsel's legal fees is not the
7 responsibility of Montezuma, but rather Ms. Olsen's.

8
9 **Q. Ms. Olsen's direct testimony that she didn't tell her attorney that Montezuma**
10 **signed Capital Leases raises another crucial question: When did Mr. Wiley first**
11 **learn that Montezuma signed the Capital Leases?**

12
13 A. At some point, Mr. Wiley knew that Montezuma had, in fact, signed the March 22,
14 2012 Capital Leases. Despite this knowledge, Mr. Wiley has never docketed the true and
15 complete March 22, 2012 Capital Leases with Nile River and Financial Pacific either in
16 the 0361/0362 docket, or in this consolidated docket including the rate case.

17
18 Five days before the April 30, 2012 Procedural Conference, Staff sent Montezuma its 3rd
19 Data Request seeking additional information about the Water Services Agreement and
20 the purported March 16, 2012 leases. (Ex. 19)

21
22 Montezuma never responded to Staff's Third Data Request dated April 25, 2012.

23
24 **Q: Ms. Olsen states that she requested the Financial Pacific "leases be dated in both**
25 **April and May dates so that I could have something to file with ACC as soon as the**
26 **funding was authorized. I also was told by Financial Pacific that the lease could be**
27 **dated April or May 2012. I assumed the May document was the final contract."**
28 **(Page 13, Lines 9-13)**

29
30 **Is there any evidence to support Ms. Olsen's claim that Financial Pacific provided**
31 **her two leases agreements, one dated in April and the other in May?**

32
33 A. No. Ms. Olsen provides no supporting documentation that Financial Pacific told her
34 that the lease could be dated April or May 2012. There is absolutely no evidence that
35 Financial Pacific ever entered into, or agreed to, a May 2, 2012 lease with Montezuma.

36
37 On May 16, I specifically asked Financial Pacific for its response to Ms. Olsen's May 14
38 sworn declaration that representatives of Financial Pacific told her the lease agreement
39 could be dated April or May.⁵

40
41 Financial Pacific stated in a May 30 email: "That is not a true statement." (Ex. 20)

42
43 Ms. Olsen and Montezuma's Counsel are perpetuating the myth that the Financial Pacific
44 lease was signed on May 2, 2012 to put the execution of the Capital Lease after the April
45 30, 2012 Procedural Conference and after Mr. Wiley docketed the March 16, 2012

⁵ Montezuma's Response to Motion for Partial Summary Judgment, May 15, 2013 Page 8, Lines 1-3.

1 personal leases on April 13, 2012 and filed a Legal Brief in support of the March 16,
2 2012 leases on April 27, 2012.

3
4 **Q. Are Montezuma and Counsel continuing to mislead the Commission about the**
5 **legitimacy of the May 2, 2012 lease?**

6
7 A. Yes. Montezuma has yet to file the true and accurate Capital Lease agreements with
8 Nile River and Financial Pacific in this consolidated docket, including the Company's
9 rate application.

10
11 Therefore, the Commission could refuse to retroactively approve the Capital Leases
12 submitted by the Company in the rate case simply on the grounds they are not the true
13 and correct leases.

14
15 **Q. Ms. Olsen states that the Financial Pacific Capital Lease "was the only financing**
16 **available for construction of arsenic treatment facility at the time." (Page 13, Line**
17 **19-21) Ms. Olsen acknowledges that the Company entered "those lease agreements**
18 **prior to seeking approval from the Commission." (Page 13, Lines 22-23).**

19
20 **Did Ms. Olsen violate the three Procedural Orders and ARS S40-301, 302 and 303**
21 **by purposely withholding the Capital Leases from the Commission?**

22
23 A. Yes. There is no doubt that Montezuma knowingly and willing violated Commission
24 orders and statutes with the intent of misleading the commission on debt financing. The
25 company's motivation was to avoid ADEQ sanctions.

26
27 **Q. Ms. Olsen states, "MRWC was under considerable pressure from ADEQ and the**
28 **County to install arsenic facilities. In order to move forward with construction of**
29 **the system and attempt to meet deadlines, MRWC was left no choice but to procure**
30 **the leases." (Page 13, Lines 25-25, Page 14, Lines 1-2)**

31
32 **Do you agree with Ms. Olsen's conclusion that MRWC had no choice but to procure**
33 **the leases?**

34
35 A. Absolutely not. First, as mentioned above, Yavapai County has not issued any orders
36 in connection with the installation of the arsenic treatment system, nor was it pressuring
37 the Company to install such a system.

38
39 Second, Montezuma is a public service corporation regulated by the Arizona Corporation
40 Commission and is required to comply with all Commission regulations, Orders and state
41 Statutes. There is no exception for extenuating circumstances.

42
43 **Q. Ms. Olsen states, "ADEQ informed MRWC that if it did not install the arsenic**
44 **treatment system, it would be fined \$150,000. For that reason, MRWC proceeded**
45 **with the lease agreements and installation of the arsenic facility." (Page 35, Lines 6-**
46 **8)**

1 **Is there any evidence to support Ms. Olsen's contention that ADEQ was going to**
2 **impose a \$150,000 fine?**

3
4 A. No. I object to Montezuma claiming that ADEQ was prepared to levy a \$150,000 fine
5 without documentary evidence. But assuming Ms. Olsen's direct testimony is true, then it
6 only amplifies Montezuma's motive to ignore Commission Orders and state Statutes to
7 avoid being subject to such a severe fine.

8
9 **Q. Ms. Olsen states Montezuma is seeking retroactive approval of the Capital Lease**
10 **agreements in the rate case.**

11
12 **She states, "There is little doubt that those leases are in the best interests of MRWC**
13 **and its ratepayers given the underlying circumstances." (Page 14, Line 22-23)**

14
15 **Do you agree?**

16
17 A. No. The Commission's refusal to grant retroactive approval of the Nile River and
18 Financial Pacific Capital Leases would essentially force Montezuma to find a buyer for
19 the Company. This would be in the best interest of Ratepayers and the Public.

20
21 If Montezuma was sold to Arizona Water Company, for instance, the much larger and
22 well-financed company could quickly extend a pipeline from its neighboring service area
23 to connect to Montezuma's system.

24
25 Montezuma's ratepayers would then be relieved of having to pay for a duplicative arsenic
26 treatment system and would benefit from economies of scale and much lower rates.
27 Montezuma is seeking to increase the average rate for 5/8 meter to \$80 a month, up from
28 the current base rate of \$27.25. (Page 18, Lines 3-6)

29
30 Arizona Water, which is operating within 600-feet of Montezuma, is well positioned to
31 take over Montezuma's service area. This was staff's recommendation in 2004, prior to
32 the sale of the water company to Montezuma.

33
34 Arizona Water told Staff on March 7, 2013 that it would be interested in acquiring
35 Montezuma.⁶

36
37 **Q. Ms. Olsen is seeking recovery of legal fees as part of ordinary operating expenses.**
38 **Ms. Olsen stated: As of December 2012, the Company has incurred \$29,032 in legal**
39 **fees with attorney Doug Fitzpatrick and \$25,699 in legal fees to Fennemore Craig.**
40 **These are legal fees outside of the current rate case, including various legal**
41 **proceeding and actions initiated by Mr. Dougherty and Mr. Buddeke, as well as**
42 **proceedings before ADEQ and the County. (Page 16, Lines 22-26)**
43 **Should these legal fees be considered ordinary operating expenses?**

44
45 A. No. The vast majority of the \$29,032 in legal fees charged by Doug Fitzpatrick is

⁶ ACC Staff Direct Testimony, Engineering Report, Paragraph G, May 24, 2013.

1 related to the Company's failure to obtain a valid use permit to operate a commercial well
2 site in a residential area and drilling Well No. 4 in violation of the County Water Code.
3 Montezuma ignored a survey it commissioned of the Well No. 4 site and filed a
4 misleading site plan with Yavapai County in 2006 showing it complied with the setback
5 regulations. (Ex. 21)

6
7 These are gross management mistakes that should have never occurred if the Company
8 was competently and honestly operated.

9
10 Most of the \$25,699 in legal fees from Fennemore Craig outside the rate case is related to
11 the following matters:

12 1. Legal representation before ADEQ over Montezuma's ongoing arsenic
13 violations that date back to 2005, long before I intervened in this matter and filed a
14 formal complaint.

15 2. Mr. Wiley's representation of the Company in the 0361/0362 Docket beginning
16 in early 2012 when the Company was proposing to finance the arsenic facility through
17 lease agreements.

18 Given Ms. Olsen's statement that she didn't inform Counsel that Montezuma had
19 signed the March 22, 2012 Capital Leases with Nile River and Financial Pacific, Mr.
20 Wiley's representation not only deceived the Commission, it provided no useful purpose
21 to Montezuma and his fees should be Ms. Olsen's responsibility.

22
23 **Q. Ms. Olsen states, "The Company also is incurring legal costs relating to**
24 **condemnation proceedings relating to an easement to satisfy setback requirements**
25 **for operation of Well No. 4." (Page 17, Lines 20-25).**

26
27 **Should these legal expenses be charged to ratepayers?**

28
29 A. No. Legal costs associated with the condemnation proceedings related to the setback
30 requirements for Well No. 4 are a direct result of Montezuma drilling the well in 2006
31 without first obtaining a proper use permit and in violation of the County's well code. Ms.
32 Olsen also submitted a false and misleading site plan to Yavapai County showing the
33 well site met the County's setback requirements.

34
35 These legal costs should not be shifted to ratepayers and should be Ms. Olsen's
36 responsibility.

37
38 **Q. Ms. Olsen states Montezuma should recover \$58,000 in rate case legal expenses.**

39
40 **"The Company has incurred \$32,545.93 in rate case expense. I anticipate another**
41 **\$25,000 in fees relating to filing this testimony, preparation for hearing and the**
42 **evidentiary hearing." (Page 19, Lines 9-11)**

43
44 **Should Montezuma be entitled to recover \$58,000 in rate case legal expenses?**

45 A. No. Montezuma should not be encumbered with any of the legal fees stemming from
46 the rate case. The rate case may never have been necessary if Montezuma had provided

1 the March 22, 2012 Capital Leases as required by Procedural orders and state Statute in
2 the 0361/0362 docket. Review of the Capital leases would have delayed installation of
3 the arsenic facility triggering major fines and sanctions that would have led to the
4 Commission staff seeking a Show Cause Order. Montezuma would have been in an
5 entirely different regulatory environment than what is now occurring.

6
7 Ms. Olsen's decision to deceive the Commission and the public (and apparently her
8 Counsel) by withholding the March 22, 2012 leases from timely Commission review in
9 the 0361/0362 docket poisons all subsequent legal expenses incurred by the Company,
10 including all expenses related to the rate case. These legal fees are Ms. Olsen's
11 responsibility.

12
13 **Q. Ms. Olsen states the Company is seeking \$108,000 in financing for four 20,000-**
14 **gallon water tanks. (Page 20, Lines 24-26, Page 21, Line 1)**

15
16 **Should the financing for the four water tanks be approved?**

17
18 A. No. The company's CCN should be revoked. Revocation of Montezuma's CCN
19 and/or the sale of Montezuma to Arizona Water, for instance, could eliminate the need
20 for these storage tanks.

21
22 **Q. Ms. Olsen states the Company needs to incur \$8,000 in debt through retroactive**
23 **approval of the Nile River Capital Lease for the arsenic treatment storage building.**
24 **(Page 21, Line 21-24)**

25
26 **Should the Commission approve retroactive financing for the arsenic treatment**
27 **building?**

28
29 A. No. Revocation of Montezuma's CCN and/or the sale of Montezuma to Arizona
30 Water, for instance, would eliminate the need for the arsenic treatment building.

31
32 Furthermore, the Company has not docketed the true and accurate March 22, 2012
33 Capital Lease agreement with Nile River by failing to include Rider No. 2.

34
35 **Q. Ms. Olsen states the purported May 2, 2012 Capital Lease agreement with**
36 **Financial Pacific is necessary "to pay for the arsenic treatment plant so**
37 **that MRWC can continually provide water to its customers and future customers in**
38 **compliance with applicable drinking water standards." (Page 22, Lines 22-24).**

39
40 **Should the Commission approve retroactive financing for the arsenic treatment**
41 **system?**

42
43 A. No. The revocation of Montezuma's CCN and/or the sale of Montezuma to Arizona
44 Water, for instance, would eliminate the need for the arsenic treatment system. The May
45 2, 2012 lease docketed by Montezuma is an unauthorized modified version of the original.

1 **Q. Ms. Olsen states the Company is seeking \$68,592 in Docket No. 12-204 for**
2 **construction of water line connecting Well No. 4 to the arsenic treatment facility at**
3 **Well No. 1. (Page 23, Lines 8-12)**
4

5 **Should the Commission approve financing for the transmission line?**
6

7 A. No. The revocation of Montezuma's CCN and/or the sale of Montezuma to Arizona
8 Water, for instance, would eliminate the need for the water transmission line.
9

10 **Q. Ms. Olsen states the Company is seeking \$21,377 in Docket 12-205 relating to**
11 **Well No. 4. "I used my personal, separate, and private funds to pay the final debt**
12 **owned on the assets and property. (Page 23, Lines 15-16).**
13

14 **Should the Commission approve financing for the purchase of assets and land for**
15 **Well No. 4?**
16

17 A. No. The Company states in the 12-205 Docket that the funds are to be used to pay for
18 a "company vehicle" and to "purchase the Well No. 4 site".
19

20 Montezuma's service area is less than 2/3 square mile in Rimrock, AZ. There is no need
21 for the 210 Ratepayers to be encumbered with \$4,620 in debt to pay for Ms. Olsen's
22 personal vehicle that she uses to commute from her home in Flagstaff to Rimrock,
23 approximately 50 miles away. It should not be included in the rate base.
24

25 Well No. 4 is not used or useful because it does not have a valid County Use Permit.
26

27 **Q. Ms. Olsen requests in Docket 12-206 approval of financing for \$15,000 to**
28 **purchase an 8,000-gallon hydro-pneumatic tank. (Page 24, Lines 21-23)**
29

30 **Should the Commission approve financing for the purchase of the tank?**
31

32 A. No. Revocation of the CCN and/or sale of Montezuma to Arizona Water, for instance,
33 could eliminate the need for the hydro-pneumatic tank.
34

35 **Q. Ms. Olsen states that my conduct has been harmful to the Company and its**
36 **customers. Ms. Olsen also states, "Mr. Dougherty also has made verbal and physical**
37 **threats against me personally." (Page 15, Lines 25-26).**
38

39 A. Ms. Olsen provides no supporting evidence of her accusation.
40

41 I have never verbally or physically threatened Ms. Olsen.
42

43 To the contrary, I have been subjected to repeated abusive and false allegations made by
44 Ms. Olsen. These include a May 2012 incident where she falsely stated to police that I
45 struck her with my motorcycle and fled the scene of an accident. (Ex. 22) Ms. Olsen and
46 her supporters have repeatedly made public statements demonizing me and have sought

1 my arrest.

2
3 **Q. Ms. Olsen states that Montezuma entered into \$32,000 in long term debt to**
4 **purchase a parcel for Well site No. 4 in November 2005 from Anna Barbara**
5 **Brunner. (Page 26, Line 13-17)**
6

7 **Is Ms. Olsen admitting that she violated the terms of Decision No. 67583 that**
8 **approved Montezuma's purchase of the water company and transfer of the CCN,**
9 **specifically Findings of Fact No. 37, by causing Montezuma to enter into long-term**
10 **debt without prior Commission approval?**
11

12 A. Yes.

13
14 **Q. Who is Ms. Brunner and what relationship does she have with the water**
15 **company?**
16

17 A. Ms. Brunner is a friend of Ms. Olsen and lives next door to the Well No. 4 property.

18
19 Ms. Brunner was an active member of the MEPOA board, which opposed the sale of the
20 water company to Arizona Water in 2004. Ms. Brunner also states in docketed filings that
21 Arizona Water was not interested in purchasing the water company in 2004.
22

23 Ms. Brunner purchased the lot next to her home that was later sold to Montezuma in
24 December 2001 for \$7,000 cash.
25

26 Ms. Brunner sold the lot to Montezuma in October 2005 for \$35,000. (Ex. 23)
27

28 **Q. Ms. Olsen states, "The reason that the purchase of the property was not included**
29 **in the Company annual reports is because I had originally explained to my**
30 **accountant that it was going to purchase the property outright. I then later**
31 **explained that it needed to be included but I also subsequently paid for the property**
32 **from personal funds."**
33

34 **Is Ms. Olsen blaming her accountant for not disclosing the long term**
35 **Montezuma's annual reports to the Commission?**
36

37 A. Yes.

38
39 Ms. Olsen does not address why the Company failed to obtain prior Commission
40 approval for the debt.
41

42 **Q. Given that there is no dispute that Ms. Olsen encumbered Montezuma with**
43 **unapproved long-term debt from the Brunner loan, does the Commission have the**
44 **authority to declare Montezuma Estates Property Owner's Association 2005 sale**
45 **and of the water company and transfer of the CNN to Montezuma "null and void"?**
46

Debt
Q 10

1 A. Yes. On Feb. 15, 2005 Decision No. 67583 approved the sale of the water company
2 and transfer of the CCN from MEPOA to Montezuma.

3
4 Findings of Fact No. 37 states: "We shall approve the application subject to MRWC
5 complying with the following conditions..." including that "MRWC shall not encumber
6 the assets of the utility in any way without prior Commission approval."⁷

7
8 Decision No. 67583 further states that that Montezuma "shall comply in all respects to
9 the Findings of Fact No. 37 and Conclusion of Law No. 6."

10
11 Conclusion of Law No. 6 states: "The conditions set forth in Findings of Fact No. 37 are
12 reasonable and should be adopted."⁸

13
14 Violation of the Findings of Fact No. 37 carries a serious penalty.

15
16 "It is further ordered that Montezuma Rimrock Water Company, L.L.C. shall comply in
17 all respects with Findings of Fact No. 37 and Conclusion of Law No. 6 or *the approval*
18 *granted herein shall be null and void.*"⁹ (Emphasis added)

19
20 In addition to declaring the 2005 water company sale and transfer of the CCN to
21 Montezuma "null and void", Montezuma should be found in Contempt of the
22 Commission for failing to disclose this debt and subsequently covering it up in Annual
23 Reports. The Company should also be held in violation of S40-303 (c).

24
25 Montezuma's failure to obtain prior Commission approval for the long term debt and
26 then covering up the fact by failing to disclose the debt in Annual Reports establishes a
27 pattern of deception and violation of Commission regulations and state Statutes that
28 culminated with the Company's failure to disclose the March 22, 2012 Capital Leases in
29 the 0361/0362 docket.

30
31 The Company's failure to disclose the March 22, 2012 Capital also violates Decision No.
32 67583 and Findings of Fact No. 37.

33
34 **Q. Ms. Olsen states that no Ratepayer funds were used to pay for the property.**
35 **(Page 27, Line 1-2)**

36
37 **Did Montezuma make monthly payments to Yavapai Tile Company for the**
38 **purchase the lot for Well No. 4 from the Company's checking account?**

39
40 A. Yes. Records obtained from National Bank of Arizona show that Montezuma made
41 monthly payments of \$363.27 from NBA Account No. XXXXXX3297. Montezuma
42 opened the NBA accounts in September 2008. Payments from the NBA account to

⁷ Formal Complaint, August 23, 2011, Details of Allegations, Allegation I

⁸ Decision No. 67583, Feb. 15, 2005, Page 9, Lines 22-23

⁹ Decision No. 67583, Feb. 15, 2005, Page 11, Lines 1-3.

1 Yavapai Title began in September 2008 and continued through at least March 2011.¹⁰
2

3 **Q. Ms. Olsen states that “Mr. Dougherty’s demands for an environmental impact**
4 **study as a condition for WIFA funding made WIFA financing impossible or**
5 **impracticable for the Company. (Page 30-Lines 21-23)**
6

7 **Do you agree with Ms. Olsen’s statement?**
8

9 A. No.
10

11 In January 2010, I alerted WIFA that Montezuma made false statements on a
12 questionnaire in order to obtain a Categorical Exemption from the National
13 Environmental Policy Act. In February 2010, WIFA withdrew the Categorical Exemption
14 because Montezuma provided false information.
15

16 I had no influence whatsoever on WIFA’s decision to later require Montezuma to prepare
17 an Environmental Impact Statement as a condition to receiving the \$165,000 loan. WIFA
18 based its decision on recommendations from a private contractor and US EPA, Region IX.
19

20 **Q. Ms. Olsen states, “MRWC didn’t start making payments to Financial Pacific for**
21 **the arsenic treatment system until October 23, 2012. MRWC started making**
22 **payments to Nile River for the arsenic building on December 17, 2012. (Page 34,**
23 **Line 11-13)**
24

25 **Does MRWC have authorization to make payments for the unapproved Capital**
26 **Leases?**
27

28 A. No. MRWC is using Ratepayer funds to make \$1,500 a month in payments on
29 unapproved Capital Leases that it is now seeking retroactive approval.
30

31 **Q. Ms. Olsen states, “The Company acknowledges that the Company should have**
32 **docketed the lease agreements and apologizes for the mistake.” (Page 36, Lines 7-9)**
33

34 **Is this a sincere “apology” and should it be accepted without consequences?**
35

36 A. Absolutely not. Ms. Olsen’s apology is a sham. Ms. Olsen repeatedly states in direct
37 testimony that it was always her intention for the Capital leases to be reviewed in the rate
38 case. Ms. Olsen should be found in violation of S40-303 (c) for her actions.
39

40 **Q. Ms. Olsen states immediately after the “apology” that the Company did not have**
41 **any ulterior or improper motive.” (Page 36, Lines 7-9)**
42

43 **Do you agree that the Company had no “ulterior or improper motive” by not**
44 **disclosing the Capital Leases?**

¹⁰ Copies of the NBA bank statements have been provided to Montezuma and Staff and may be entered into evidence during the hearing.

1 A. Absolutely not. Ms. Olsen repeatedly states in direct testimony that Montezuma was
2 under pressure from ADEQ to construct the arsenic treatment plant or face sanctions for
3 violating the June 2010 Consent Order.

4
5 ADEQ's threat to impose sanctions against Montezuma motivated the Company to
6 docket the invalid March 16, 2012 leases to avoid Commission review and approval of
7 the actual March 22, 2012 Capital Leases signed by Montezuma.

8
9 **Q. Ms. Olsen states, "MRWC also contacted staff to inform them that the personal
10 leases were not preferable because Mr. Dougherty raised objections about lack of
11 Commission review. In turn, the Company entered the leases with the clear intent of
12 submitting them for Commission review and approval." (Page 36, Lines 18-21)**

13
14 **What are the implications of Ms. Olsen's statement?**

15
16 A. The implications are very serious.

17
18 Ms. Olsen is stating in her direct testimony that Staff was alerted that the March 16, 2012
19 personal leases she signed with Nile River were "not preferable" sometime between my
20 docketing objections to the leases on March 21, 2012 and Montezuma signing the Capital
21 Leases on March 22, 2012.

22
23 On March 19, 2012, Ms. Olsen, while under the representation of Counsel, docketed the
24 purported March 16, 2012 lease agreements with Nile River signed by her personally.¹¹

25
26 On March 21, 2012 I docketed my response to the March 19, 2012 filing by Ms. Olsen. I
27 stated that the March 16 lease agreements between Ms. Olsen and Nile River were
28 Capital Leases. I further stated that the Water Services Agreement was a ploy to sidestep
29 regulatory approval of Capital Leases.

30
31 Ms. Olsen's direct testimony suggests she received tacit approval from Staff on or about
32 March 21, 2012 about her intention to substitute the March 16 personal leases with leases
33 signed by the Company "with the clear intent of submitting them for Commission review
34 and approval.

35
36 Ms. Olsen must be required to identify who on Staff she contacted concerning the
37 purported March 16, 2012 personal leases and Montezuma's subsequent signing of
38 Capital Leases, when the contact was made and what was discussed.

39
40 **Q. Is their evidence that Staff was aware by April 26, 2012 that Montezuma
41 intended to install the arsenic treatment facility prior to June 7, 2012?**

42
43 A. Yes.

44

¹¹ While the cover sheet of this filing does not identify who docketed the contracts, the ACC website for docket W-04254A-08-0361/0362 states that Patricia Olsen docketed the contracts.

1 On April 26, 2012, three ACC staff members – Attorney Nancy Scott, Engineer Marlin
2 Scott and Utility Analyst Jeff Michlik -- attended a joint meeting with ADEQ staff
3 members and Ms. Olsen to discuss the Consent Order and status of installation of the
4 arsenic system. The meeting was held at ADEQ between 10 a.m. and 11:30 a.m. (Ex. 25)

5
6 During the meeting, Ms. Olsen displayed a copy of a letter from the arsenic treatment
7 system installer stating that the system would be installed by June 7, 2012. ADEQ
8 specifically asked Ms. Olsen if she could meet the ADEQ June 7, 2012 deadline to install
9 the facility. Ms. Olsen stated “yes”, according to the notes of the meeting that were
10 initialed by all the attendees.

11
12 The next day, April 27, 2012, Staff docketed a Legal Brief in 0361/0362 that concluded
13 the Company’s proposed Water Services Agreement was a Capital Lease that would need
14 commission approval.¹² Mr. Michlik, who attended the joint meeting the day before,
15 prepared the Capital Lease analysis that is dated the same day as the ADEQ/ACC/Olsen
16 meeting.

17
18 Under the purported plan before the Commission at this time, Ms. Olsen was going to
19 personally lease the arsenic equipment and sublease it to her company through the Water
20 Services Agreement.

21
22 Neither the Company nor Staff informed the Administrative Law Judge or
23 Complainant/Intervenor about the April 26, 2012 joint meeting during the April 30, 2012
24 Procedural Conference. Nor did Staff or the Company disclose that Montezuma was
25 guaranteeing that the arsenic treatment system would be installed by June 7, 2012.

26
27 This was pertinent and material information that should have been disclosed during the
28 April 30, 2012 procedural conference because it had a direct bearing on Montezuma’s
29 purchase and financing plans for the arsenic treatment system.

30
31 **Q. Ms. Olsen states, “I would ask that the Commission put a stop to Mr.**
32 **Dougherty’s actions and prevent them in the future. Again, Mr. Dougherty is not a**
33 **customer of the Company and his use of the Commission to conduct a personal**
34 **grudge against the Company and me does not seem to be the proper use of**
35 **Commission resources.” (Page 37, Lines 11-15)**

36
37 **Is it appropriate for the Commission to terminate Mr. Dougherty’s Intervention and**
38 **Complaint?**

39
40 A. Absolutely not.

41
42 My intervention and complaint occurred only after I discovered that that Montezuma and
43 Ms. Olsen repeatedly violated state, county and Commission regulations. My work has
44 provided the Commission, Ratepayers and the Public with valuable and important

¹² Michlik memorandum, April 26, 2012, Ex. 1 to Staff’s Replay to Procedural Order April 27, 2012 in 0361/0362

1 information about the operations of Montezuma and must be allowed to continue.

2
3 **Q. What is your recommendation?**

4
5 A. Decision No. 67583, Findings of Fact No. 37, provides the legal justification for the
6 Commission to declare the 2005 sale and transfer of the CCN from MEPOA to
7 Montezuma null and void. This action would be in the Public Interest because it protects
8 ratepayers from unreasonable rates and removes corrupt management.

9
10 **Q. Does this end your responsive testimony to Montezuma's direct testimony?**

11
12 A. Yes. I will now provide responsive testimony to Staff's May 24, 2013 direct testimony
13 provided by Gerald Becker, executive consultant, utilities division, Arizona Corporation
14 Commission.

15
16 **Responsive Testimony to the Direct Testimony of Gerald Becker**

17
18 **Q. Does Mr. Becker provide a clear explanation of what future rates will be for**
19 **Montezuma's customers, including all surcharges?**

20
21 A. No.

22
23 There is no clear explanation of what ratepayers could expect to be charged in Staff's
24 analysis.

25
26 **Q. What is the current storage capacity of Montezuma's system?**

27
28 A. The system currently has 25,200 gallons of storage provided by two, 10,000-gallon
29 tanks and one 5,200-gallon tank. A second 5,200-gallon storage tank has been converted
30 as a back wash tank for the arsenic system. In addition, there are two, 2,000-gallon
31 pressure tanks.

32
33 **Q. What additions in storage capacity is staff proposing for the system?**

34
35 A. Staff is proposing the addition of four, 20,000-gallon water tanks and the deletion of
36 the two leaking 10,000-gallon tanks. Staff proposed to add an 8,000-gallon hydro-
37 pneumatic pressure tank. The Company states the 8,000-gallon tank would replace one of
38 its two, 2,000-gallon pressure tanks.

39
40 **Q. Has staff provided an estimate of how many connections could be served from**
41 **Well No. 1, 85,200 gallons of total storage, the new 8,000-gallon hydro-pneumatic**
42 **tank and one 2,000-gallon pressure tank?**

43
44 A. No.

1 **Q. What has staff provided?**

2
3 A. The Engineering report on Page 12 under "System Analysis" states:

4
5 "For this system to adequately serve the current 210 service connections including
6 reasonable system growth and fire protection, this system would require a total storage
7 capacity of 87,500 gallons."

8
9 **Q. Does Staff define "reasonable growth"?**

10
11 A. No.

12
13 **Q. Mr. Becker recommends disallowing Well No. 4 and the pipeline connecting Well**
14 **No. 4 to the arsenic treatment plant from the rate base.**

15
16 **Does Mr. Becker provide an analysis of the impact of approving Montezuma's**
17 **request to install four, 20,000-gallon water tanks, the 8,000-gallon hydro-pneumatic**
18 **tank as well as Well No. 4 and the pipeline in the rate base?**

19
20 A. No.

21
22 **Q. Why is such an analysis important to this case?**

23
24 A. Commission approval of the four, 20,000-gallon storage tanks and the 8,000-gallon
25 hydro-pneumatic tank, and the possible subsequent approval of Well No. 4 and the
26 pipeline in a post rate case amendment, would create significant excess capacity for the
27 system and burden ratepayers with extremely onerous rates.

28
29 Montezuma states in direct testimony that the base rate for a 5/8 meter would increase
30 from \$27.25 to an average rate for a 5/8 meter of \$80 a month if it received approvals for
31 the 80,000 gallons of storage tanks, the 8,000 gallon hydro-pneumatic tank, Well No. 4,
32 the pipeline and the arsenic treatment system.

33
34 The 2009 Staff Report in conjunction with Decision No. 71317 concluded that
35 Montezuma would only need 30,000 gallons of additional storage capacity, bringing total
36 storage at the time to 60,400 gallons, to meet demand for 206 connections.¹³

37
38 Staff is now recommending an additional 20,000 gallons of total storage, or an expansion
39 of capacity by 32 percent over the 2009 assessment.

40
41 It is reasonable to assume, therefore, that Montezuma would have sufficient capacity to
42 expand its present system by approximately 64 connections before it would need
43 additional water supply and storage.

¹³ The current well capacity of 70 GPM and storage capacity of 30,400 gallons is adequate to serve up to 92 service connections. For this system to adequately serve the current 206 service connections, the system would need an additional 30,000 gallons of storage capacity. (2009 Engineering Report, Page 9, System Analysis)

1 **Q. What did staff conclude in 2009 about the impact of Well No. 4 and whether the**
2 **Company would need additional storage capacity?**

3
4 A. Staff concluded in Decision 71317 that 30,000 gallons of total storage with the
5 addition of Well No. 4 producing 100 gpm would provide sufficient water and storage to
6 service 425 connections, more than twice the number of current connections.¹⁴
7

8 **Q. What would be the impact of adding Well No. 4 and the pipeline to staff's**
9 **current proposed system?**

10
11 A. Obviously, adding Well No. 4 and the pipeline to staff's proposed system of 85,200
12 gallons of storage and the 8,000-gallon hydro-pneumatic pressure tank would create far
13 more capacity than Montezuma would need for many, many years, if ever.
14

15 **Q. What would be the impact on Ratepayers of the combined system of Well No. 4,**
16 **the pipeline and 85,200 gallons of storage?**

17
18 A. Ratepayers would needlessly suffer from unreasonable rates while Montezuma would
19 receive excessive benefits from a much higher rate base than necessary. This would not
20 be in the Public Interest.
21

22 **Q. Does Mr. Becker provide a clear explanation of Staff's recommended rate**
23 **design? (Page 23, Line 23-24)**

24
25 A. No. Mr. Becker refers to the Company's "Sewer Division". It is therefore unclear if
26 the information that follows is addressing Montezuma, or some other company.
27

28 **Q. Mr. Becker recommends retroactive approval of Montezuma's lease agreements**
29 **for the arsenic treatment building and arsenic treatment system.**

30
31 **"Retroactive approval of the debt at issue in this case is appropriate." (Page 26,**
32 **Lines 27)**

33
34 **Do you agree with this recommendation?**

35
36 A. No. The leases should not be retroactively approved.
37

38 **Q. Mr. Becker states that he analyzed the arsenic building lease and the arsenic**
39 **system lease.**

40
41 **"Staff has evaluated these leases and determined the lease on the ATS is a capital**
42 **lease and the associated long term obligation that needs to be approved by the**
43 **Commission." (Page 22, Line 3-4)**
44

¹⁴ Decision No. 71317, Paragraph 21.

1 **Do you agree with Staff's assessment?**

2
3 A. Partially. I agree that the Financial Pacific arsenic treatment system lease is a Capital
4 Lease. Mr. Becker, however, fails to explicitly state that the Nile River arsenic building
5 lease is a Capital Lease.

6
7 The Nile River lease, including Rider No. 2, clearly shows that it is a Capital Lease.
8 Montezuma has also stated that the Nile River and Financial Pacific leases are Capital
9 Leases.

10
11 **Q. Mr. Becker recommends the following:**

12 **Outside Services - Adjustment F increases Outside Services Expense by \$5,811 from**
13 **\$15,890 to \$21,701 to reflect annualized expenses excluding non-rate case, non-legal**
14 **expenses of \$11,436 which were supported by the Company, plus 75 percent of**
15 **annualized non rate case related, legal expenses of 13,686 or \$10,265, for a total of**
16 **\$21,701. A review of documentation provided by the Company indicated that the**
17 **cost were incurred for regulatory agency approvals for construction and operation**
18 **of its ATS including ADEQ and Yavapai County matters, Commission proceedings**
19 **related to its ATS, defending itself against a suit brought by John Dougherty and**
20 **Fred Shute, and obtaining an Order of Protection against John Dougherty. The**
21 **Company states that from November 2009 through October 2012, it incurred**
22 **\$29,032.50 to the Law Offices of Douglas C. Fitzpatrick and that April 2010 through**
23 **December 2012, it incurred \$25,699 to Fennemore Craig, not including expenses in**
24 **the current proceeding. Adding the amount results in total of \$54,731 over an**
25 **approximately 4-year period, or \$13,683 per year.**

26
27 **Although the ADEQ and Yavapai matters were related to the construction of well**
28 **No. 4 which was intended to provide an additional water supply for the ratepayers,**
29 **Staff recommends a 25 percent disallowance of legal fees to reflect the matters**
30 **related to correcting some zoning violations that could have been avoided by the**
31 **Company. (Page 15, Line 5-21)**

32 **Do you agree with this analysis?**

33
34 A. No. The disallowance of 25 percent is far too low. Most of Montezuma's non rate-case
35 legal expenses are related to the company's failure to obtain a County use permit prior to
36 constructing Well No. 4 and installing Well No. 4 in violation of the County Water Well
37 Code. These expenses are the direct result of mismanagement and deception by Ms.
38 Olsen and must not be shifted to Ratepayers.

39
40 I strongly object to staff's inclusion of legal expenses related to Ms. Olsen's Order of
41 Protection obtained against me in July 2011. Ms. Olsen obtained that order personally
42 and not on behalf of Montezuma. Ms. Olsen obtained the Order to use it as a sword as
43 evidenced by her leaving the order with an ACC security in an attempt to keep me from
44 attending a July 25, 2011 Procedural Conference. Furthermore, the Order was dismissed
45 in May 2012 after a Verde Valley Justice Court Judge ruled that Ms. Olsen was abusing
46 the order.

1 Most of Fennemore Craig's non-rate case legal fees should be barred. Ms. Olsen stated in
2 direct testimony that she did not consult with Fennemore Craig prior to signing the March
3 22, 2012 Capital Leases with Financial Pacific and Nile River. Her failure to consult with
4 Montezuma's attorney resulted in a series of pleadings that were not based on the true
5 facts at the time. Therefore, Fennemore Craig provided no useful purpose to Montezuma
6 and Mr. Wiley's legal fees should be Ms. Olsen's responsibility.

7
8 The only legitimate non-rate case legal fees are those incurred by Fennemore Craig
9 during its representation with ADEQ on arsenic issues, including the 2008 Notice of
10 Violation, the Feb. 25, 2010 Compliance Order, the June 2, 2010 Consent Order and the
11 April 12, 2012 Notice of Violation.

12
13 **Q. Mr. Becker is recommending the following for rate case legal expenses:**

14
15 **Regulatory Commission Expense - Rate Case - This adjustment increases**
16 **Regulatory Commission Expense - Rate Case by \$13,364 from \$833 to \$14,250.**
17 **(Page 11, 19-20)**

18
19 **Do you agree with this adjustment?**

20
21 A. No. If Mr. Wiley had submitted the true and correct March 22, 2012 Capital Leases
22 for review in Docket 0361/0362 as directed by the Court in three Procedural Orders,
23 Montezuma would have failed to meet the June 7, 2012 ADEQ deadline and the company
24 would have faced sanctions.

25
26 This action would have resulted in an entirely different regulatory proceeding where the
27 rate case would have been unnecessary. Therefore, the rate case legal expenses should be
28 barred until the Commission rules on the Amended Formal Complaint and request that
29 the Company's CCN be revoked.

30
31 **Q. Mr. Becker recommended the following proposed capital improvements.**

32
33 **Staff recommends \$108,000 of financing with WIFA for the storage tanks, \$8,000**
34 **for the ATS building, but \$38,000 for the ATS included \$16,280 of media costs, for a**
35 **net cost for the ATS of \$21,720. As discussed above, Staff recommends that the cost**
36 **of the arsenic media be recovered by depreciating these costs over 24 months and**
37 **including 12 months of media expense as part of Chemicals Expense, as discussed**
38 **above. (Page 20-Lines 24-26; Page 21, Lines 1-2)**

39
40 **Do you agree with this proposal?**

41
42 A. No. Retroactive approval of the Nile River and Financial Pacific Capital Leases
43 should be denied. Therefore, there is no need to include capital improvements for the
44 ATS building and the ATS.

45
46 **Q. Mr. Becker issued the following recommendations pertaining to the Financing:**

1 For the financing applications, Staff finds that the request for: a) the transmission
2 main connecting Well Site #4 to Well Site #1 at \$68,592 is not reasonable nor
3 appropriate, b) the purchase of Well Site #4 at \$16,758 is not reasonable nor
4 appropriate, c) the purchase and installation of an 8,000 gallon hydro-pneumatic
5 tank at \$18,541 is reasonable and appropriate, d) the purchase and installation of
6 four 20,000 gallon storage tanks at \$108,000 is reasonable and appropriate, and e)
7 the installation of the arsenic treatment building and the arsenic treatment system
8 are reasonable and appropriate. (Page 38, Lines 26-32)

9
10 Do you agree with these recommendations?

11
12 A. I agree with recommendations for a) and b). I disagree with recommendations c), d)
13 and e).

14
15 Items c), d) and e) should not be approved until the Commission renders a final decision
16 on the Amended Formal Complaint and the request to revoke Montezuma's CCN or
17 Montezuma sells the company to another provider which may, or may not, need these
18 capital improvements.

19
20 Q. Page 6 of the Engineering Report includes Table 4 that states there are 243
21 customer meters.

22
23 Do you agree with this number?

24
25 A. No. The correct total based on the information in the table should be 225.

26
27 In addition, this number overstates the actual number of connections. The engineering
28 report states on Page 5, Paragraph B:

29
30 "The operation of the water system consists of one well (55 gallons per minute
31 ("GPM")), a centralized 150 GPM arsenic treatment system, three storage tanks, two
32 booster systems, and a distribution system serving 210 service connections during the test
33 year ending 2011."

34
35 Q. The engineering report states the company could have 220 connections by 2016.
36 Is this a reasonable projection?

37
38 A. No. Montezuma had 208 connections in TY 2007 and 210 connections in TY 2011.
39 There has been no construction in this area for years and the housing market continues to
40 be depressed. Staff's projection overstates the optimistic estimate in the accompanying
41 graph, which projects 217 connections by 2016.

42
43 Q. Please summarize your testimony.

44
45 A. Staff has not provided Ratepayers with a clear and concise projection of rates,
46 including surcharges.

1 Staff has not provided the total number of connections that can be supported by its
2 proposed system of 5,200 gallons of present storage, 80,000 gallons of new storage, a
3 new 8,000-gallon hydro-pneumatic tank, one 2,000-gallon pressure tank, and production
4 from Well No. 1.

5
6 Staff has not provided the total number of connections with its proposed system design
7 plus Well No. 4 and the pipeline.

8
9 Montezuma has stated it intends to seek Commission permission to add Well No. 4 and
10 the pipeline to the rate base after it completes condemnation and obtains a County use
11 permit. Staff has not fully analyzed Montezuma's rate case proposal by failing to include
12 the impact of the possible addition of Well No. 4 and the pipeline to the rate base.

13
14 Including Well No. 4 and the pipeline in addition to 85,200 gallons of storage, the 8,000-
15 gallon hydro-pneumatic tank and one 2,000-gallon pressure tank would create far more
16 capacity than would ever be required for this system and burden customers with
17 unreasonable rates.¹⁵

18
19 **Q. What is your recommendation?**

20
21 A. My recommendation is to declare the sale and transfer of the CCN to Montezuma null
22 and void based on violations of Findings of Fact No. 37 in Decision No. 67583 and to
23 consolidate Montezuma's service area with Arizona Water Company as recommended by
24 staff in 2004.

25
26 **Does this conclude your response testimony?**

27
28 A. Yes.

29
30 **List of Exhibits**

31 Page 5

32 Exhibit 16 (Clarkdale employment records)

33 Exhibit 17 (Garfield Letter)

34
35 Page 7

36 Exhibit 18 (Hastings Order)

37
38 Page 8

39 Exhibit 19 (Staffs 3rd Data Request)

40 Exhibit 20 (Financial Pacific/Dougherty emails)

41
42 Page 11

43 Exhibit 21 (Well No. 4 site plans)

44

¹⁵ Montezuma states it will replace one of its two 2,000-pressure tanks with the 8,000-gallon hydro-pneumatic tank.

1 Page 14
2 Exhibit 22 (YCSO report)
3 Exhibit 23 (Brunner Affidavits of Value)
4
5 Page 18
6 Exhibit 24 (ACC/ADEQ/Olsen meeting)
7
8
9
10

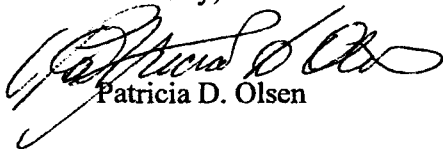
EXHIBIT 16

Date: 10/29/07
Time: 11:00 am

Dear Mr. Burroughs

I hereby tender my resignation from my position as Water Utility Manager. My last day will be two weeks from today.

Sincerely,



Patricia D. Olsen

Town of Clarkdale
PO Box 308, Clarkdale, AZ 86324
Ph (928) 634-9591, Fx (928) 634-0407



November 5, 2007

Patsy Olsen

Flagstaff, AZ 86001

Dear Patsy,

On October 29, 2007 I accepted your resignation, waiving any two-week notice. We have since gathered the personal items that were left behind in your office. Per my email to you dated November 1, 2007, all of those items have now been shipped directly to your home address.

Also included in that email was a description of two items of Town property which are in your possession. Those are:

1. Simpson Valve Exercising Project Disk with valves GPS locations
2. Esri Arcview version 9 GIS software.

In addition to the above mentioned cd's, work generated by you during your employment with the Town is also property of the Town. Given that the computer in your office here was left with none of the work saved on it, I assume that your computer work was saved only on the flash drive which you took with you. Please generate a copy of the work you did while employed here and provide that to us.

Your prompt handling of this request will be appreciated. Please let me know of any questions concerning this information.

Thank you,

A handwritten signature in black ink, appearing to read "S. Burroughs", is written over a horizontal line.

Steven Burroughs
Public Works Director

*Original letter mailed 11/5/07
• Copy of letter incl in box of
items shipped on 11/5/07*

EXHIBIT 17

ARIZONA WATER COMPANY

3805 N. BLACK CANYON HIGHWAY, PHOENIX, ARIZONA 85015-5351 • P.O. BOX 29006, PHOENIX, ARIZONA 85038-9006
PHONE: (602) 240-6860 • FAX: (602) 240-6878 • WWW.AZWATER.COM

August 5, 2004

Mr. Jim Fisher
Executive Consultant
Arizona Corporation Commission
Utilities Division
1200 West Washington Street
Phoenix, AZ 85007

RECEIVED

AUG 09 2004

AZ CORPORATION COMMISSION
DIRECTOR OF UTILITIES

Re: Montezuma Estates Property Owners' Association

Dear Mr. Fisher:

Arizona Water Company (the "Company") met with representatives of the Montezuma Estates Property Owners' Association (the "Association") in April 1999 concerning a potential sale of the Association's water system to the Company. In conducting its due diligence, the Company tested both of the Association's wells. The test results showed that the arsenic level in the main supply well exceeded 50 parts per billion ("PPB"), the maximum contaminant level ("MCL") for arsenic at that time. The Company's notes showed the main supply well was equipped for 88 gallons per minute ("GPM") and the smaller supply well was equipped for 16 GPM.

The Company contemplated interconnecting the Montezuma Estates water system with the Company's Rimrock water system. At that time it was likely that the Association's main supply well would need to be removed from service because of the high arsenic level. The Company informed the Association by letter dated April 21, 1999 (copy enclosed), that the Company would like to renew discussions with the Association on the possibility of the Company providing water service to Montezuma Estates when additional water supplies became available in the Company's Rimrock water system. As you can see from the attached map, the Association's water system is immediately adjacent to the Company's Rimrock water system and is much smaller in comparison.

Since April 21, 1999, the Company has developed a new water supply well for Rimrock, which is equipped for 350 GPM. More importantly, the Company has received approval from the Arizona Corporation Commission for an arsenic cost recovery mechanism. This allows the Company to move forward with the construction of arsenic treatment plants for its Rimrock water system to restore Rimrock Well #4 to service, which has an equipped capacity of 100 GPM.

E-MAIL: mail@azwater.com

ARIZONA WATER COMPANY

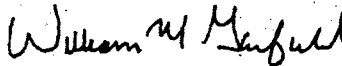
To: Jim Fisher - Arizona Corporation Commission
Re: Montezuma Estates Property Owners' Association

August 5, 2004
Page 2

The Company now has adequate capacity to interconnect the Montezuma Estates water system with its Rimrock water system and provide reliable water service not only to its Rimrock customers, but to all of the Montezuma Estates customers as well. In addition, the Company's ongoing arsenic treatment plant construction will achieve compliance with the new arsenic MCL of 10 PPB well before the January 23, 2006 deadline. The Company is interested in pursuing the acquisition of the Montezuma Estates water system if the Association is also interested.

If you have any questions on this matter, please call me.

Very truly yours,



William M. Garfield
President

mcm
Enclosures

EXHIBIT 18

YAVAPAI COUNTY DEVELOPMENT SERVICES

1020 Commerce Drive
Prescott, AZ 86305
(928) 771-3214

COUNTY OF YAVAPAI,

Plaintiff

vs

MONTEZUMA RIMROCK WATER CO

Defendant(s)

CASE NO. V32012000758

ORDER FOR
REDUCTION OF
CIVIL PENALTIES
APN: 405-25-517

DISTRICT: 3

Having received a request for reconsideration of the Civil Penalties in the JUDGMENT dated November 12, 2013 and good case showing the CIVIL PENALTY has been reduced to \$5000.00 from the \$10,000.00 owing. The total amount due is \$5000.00. Payment must be made within 30 days from the date of the signed Order or it will revert back to the \$10,000.00 and will be turned over to collections. Payment must be made to:

Yavapai County Development Services
1120 Commerce Dr
Prescott, AZ 86305

Dated: 5/13/13


CHARLES HASTINGS
HEARING OFFICER

FENNEMORE CRAIG
DAWN MEIDINGER
MONTEZUMA RIMROCK WATER CO
2394 E. CAMELBACK RRD SUITE 600
PHOENIX, AZ 85016


Hearing Clerk

Kathleen McCaw

From: Boyce Macdonald
Sent: Monday, May 13, 2013 10:04 AM
To: Kathleen McCaw
Cc: Steven Mauk; Jeanne Grossmayer
Subject: MRRWC 405-25-517 non-compliance to Hearing Officer Case

Staff has spent an enormous amount resources and taxpayer dollars on this case, but now since the property was finally brought into compliance Development Services would support a 50% (\$5000) reduction in the sanctions to \$5000.

Boyce Macdonald
Planning and Land Use Manager
Yavapai County Development Services
boyce.macdonald@yavapai.us
(928) 639-8161 or (928) 771-3214
Yavapai County Development Services (Prescott Office) New Address is:
1120 Commerce Dr
Prescott, AZ 86305
As of June 3, 2013 Development Services will be open Monday - Friday from 8:00 - 5:00

5/13/2013

EXHIBIT 19

Exhibit 1

COMMISSIONERS
GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS



ARIZONA CORPORATION COMMISSION

ERNEST G. JOHNSON
Executive Director

April 25, 2012

Todd C. Wiley
FENNEMORE CRAIG, P.C.
3003 North Central Avenue, Suite 2600
Phoenix, Arizona 85012

Sent via U.S. Mail & E-mail to:
patsy@montezumawater.com
twiley@fclaw.com

Patricia D. Olsen, Manager
MONTEZUMA RIMROCK WATER
COMPANY, L.L.C.
Post Office Box 10
Rimrock, Arizona 86335

Re: Staff's Third Set of Data Requests to Montezuma Rimrock Water Company, LLC
Docket No. W-04254A-08-0361 et al.

Dear Mr. Wiley and Ms. Olsen:

Please treat this as Staff's Third Set of Data Requests to Montezuma Rimrock Water Company, in the above-referenced matter. For purposes of this data request set, the words "Company," "you," and "your" refer to Montezuma Rimrock Water Company, and any representative, including every person and/or entity acting with, under the control of, or on behalf of Montezuma Rimrock Water Company. For each answer, please identify by name, title, and address each person providing information that forms the basis for the response provided.

These data requests are continuing, and your answers or any documents supplied in response to these data requests should be supplemented with any additional information or documents that come to your attention after you have provided your initial responses. Please respond within ten (10) calendar days of your receipt of the copy of this letter. However, if you require additional time, please let us know.

Please provide one hard copy as well as searchable PDF, DOC or EXCEL files (via email or electronic media) of the requested data directly to each of the following addressees via overnight delivery services to:

- (1) Jeffery Michlik, Utilities Division, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. jmichlik@azcc.gov
- (2) Charles H. Hains, Attorney, Arizona Corporation Commission, 1200 West Washington Street, Phoenix, Arizona 85007. chains@azcc.gov

Sincerely,

Charles H. Hains, Attorney
Legal Division
(602) 542-3402

CHH:rbo
Enclosures
cc: Jeffery Michlik

**ARIZONA CORPORATION COMMISSION
STAFF'S THIRD SET OF DATA REQUESTS
REGARDING THE PROCEDURAL ORDER OF
MONTEZUMA RIMROCK WATER COMPANY
DOCKET NOS. W-04254A-08-0361 AND W-04254A-08-0362
APRIL 25, 2012**

Subject: All information responses should **ONLY** be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

Accounting Data Requests

- JMM 3.1** Total Contract Price – Please provide the total contract price to Ms. Olsen for the Arsenic Treatment Facility, including all design, permitting, construction and acquisition costs.
- JMM 3.2** Nile River Lease Agreements – Do the Terms and Conditions that were provided comprise the entirety of the lease agreements for the Arsenic Building Plant (“Building”) and the Arsenic Removal Water Treatment System (“Treatment System”)? If not, please provide copies of the entire lease agreements.
- JMM 3.3** Nile River Lease Agreements – State whether Ms. Olsen considers the lease agreements to be operating leases or capital leases. Are either or both of the agreements considered to be “lease to own” agreements?
- JMM 3.4** Nile River Lease Agreements – Does title to the respective leased property transfer to Ms. Olsen after the term of the lease expires (36 months for the Building and 60 months for the Treatment System)?
- JMM 3.5** Nile River Building Lease Agreement – Please confirm that the total cost of the Building is \$12,315.24 (i.e., \$342.09 x 36). Otherwise, state the actual total cost of the Building and describe how that amount was determined. Please explain how this piece fits into the total contract price from JMM 3-1 above.
- JMM 3.6** Nile River Treatment System Lease Agreement – Please confirm that the total cost of the Treatment System is \$63,490.80 (i.e., \$1,058.18 x 60). Otherwise, state the actual total cost of the Treatment System and describe how that amount was determined. Please explain how this piece fits into the total contract price from JMM 3-1 above.

**ARIZONA CORPORATION COMMISSION
STAFF'S THIRD SET OF DATA REQUESTS
REGARDING THE PROCEDURAL ORDER OF
MONTEZUMA RIMROCK WATER COMPANY
DOCKET NOS. W-04254A-08-0361 AND W-04254A-08-0362
APRIL 25, 2012**

Subject: All information responses should ONLY be provided in searchable PDF, DOC or EXCEL files via email or electronic media.

JMM 3.7 Kevlor Design Group – Please explain how the project costs of \$46,000.00 from the Kevlor Design Group relate to the Nile River Lease Agreements? If the \$46,000 is separate from the lease agreements, please explain how this piece fits into the total contract price from JMM 3-1 above.

JMM 3.8 Water Services Agreement – Please confirm that the total cost for the monthly standby fee is \$360,000 (i.e., \$1,500 x 240). Otherwise, state the actual total monthly standby fee to be collected over the term of the lease and describe how this amount was determined.

JMM 3.9 Water Services Agreement – Please answer the following:

- a. Is the monthly standby fee structured as an ordinary annuity or an annuity due; i.e., are payments due at the end or the beginning of each month?
- b. What is the incremental borrowing rate of the lessee (the rate that would have been incurred to borrow the funds necessary to purchase the assets with a secured loan with payment terms similar to the payment schedule in the lease) or the percentage return on investment assumed by Ms. Olsen?
- c. What is the amount of executory costs (e.g., insurance, maintenance, and taxes) included in the monthly payments?
- d. Are the executory costs paid by Ms. Olsen or by Montezuma Rimrock Water Company?
- e. What are the residual values of the Building and Treatment System at the end of each lease?
- f. If there are residual values, are the values guaranteed or not guaranteed?

EXHIBIT 20

Dawn Pearce <dpearce@finpac.com>

Thu, May 30, 2013 at 9:47 AM

To: John Dougherty <jd.investigativemedia@gmail.com>, Peter Fruge <pfruge@finpac.com>

John,

Please see answers to your questions below in red. I have worked with several people in my office to ensure that these answers are correct. I do not have any additional information to provide you other than what has been provided below.

Thank you,

Dawn Pearce

Paralegal

Financial Pacific Leasing, LLC

3455 S 344th Way, Suite 300

Federal Way, WA 98001

6/2/13 11:14 AM

Odyssey Financial is a broker, they commenced the lease using our documents. They then assigned the lease to us, Financial Pacific Leasing. When they sent the documents to us they came over without any typed dates. Financial Pacific completed the confirm call in house and used the date of the confirm call to fill in the blank date fields on the documents.

2. What is Financial Pacific's response to Ms. Olsen's assertion that Financial Pacific provided MRWC with copies of the lease agreements dated April 2, 2012 and May 2, 2012?

As stated previously we only provided one lease agreement to our customer. The agreements dated April 2, 2012 is the true and correct copy of the lease. Please see attached document. Any document other than the attached document is an unauthorized modified version of the original lease.

3. What is Financial Pacific's response to Ms. Olsen's assertion that representatives of the company told her the agreement could be dated in April and May?

This is not a true statement.

And, of course, I would welcome any further explanations and details from Financial Pacific that definitely describe the circumstance surrounding the lease agreement.

There is an evidentiary hearing scheduled for June 20 on this matter, as well as a general rate case hearing. I would like to avoid the time and expense related to issuing a subpoena for Financial Pacific to testify at the hearing. Hopefully, this can be avoided through correspondence and disclosures.

Thank you for your prompt attention.

Sincerely,

John Dougherty
InvestigativeMedia.com
602-710-4089


 Lease.pdf
1185K

EXHIBIT 21

5

Notice of Intent to Drill, Deepen, Replace or Modify a Well

WELL REGISTRATION NUMBER
55 - 556391

CHECK ONE: ☒ FILING MANUALLY
☐ FILING ELECTRONICALLY*

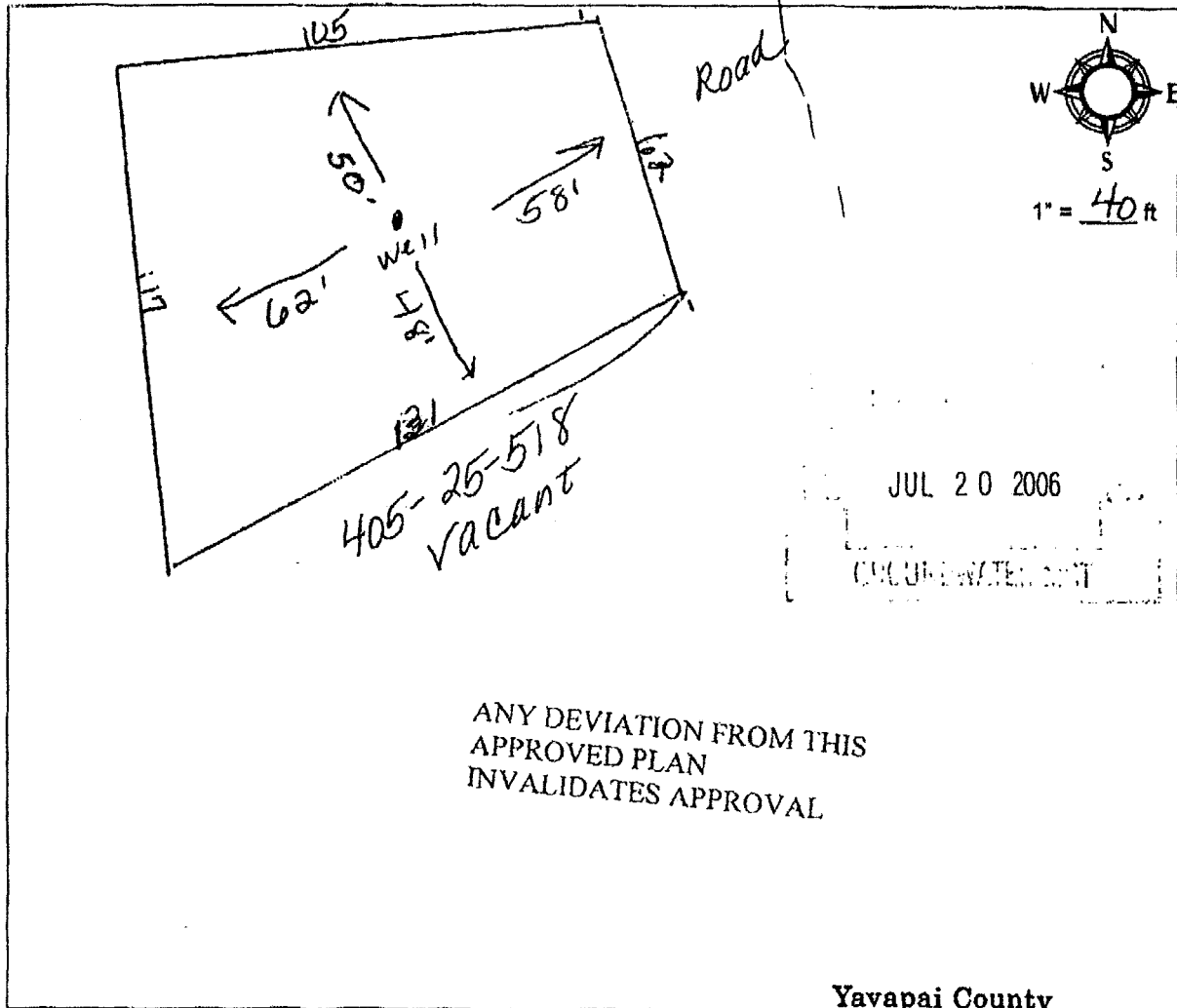
*DRILLER'S E-MAIL ADDRESS: _____

If applicant is filing this NOI electronically via the ADWR website and County approval is required, please indicate approval by providing a County Approval Code.

COUNTY APPROVAL CODE

WELL SITE PLAN		
NAME OF WELL OWNER <u>Montezuma Runrock Water Co</u>		
COUNTY ASSESSOR'S PARCEL ID NUMBER	BOOK	MAP
	<u>405</u>	<u>25</u>
		PARCEL <u>517</u>

- ❖ If this well will be a domestic well on 5 acres or less, please draw the following: (1) the boundaries of your property; (2) the proposed well location; (3) the locations of all septic tank systems and sewer systems on the property or within 100 feet of the well location, even if on neighboring properties; and (4) any permanent structures on the property that may aid in locating the well. If the parcel is vacant land or lacks a septic tank or sewer system, please indicate this.
- ❖ Indicate the distance between the proposed well location and any septic tank system or sewer system.



COUNTY OR LOCAL AUTHORITY NAME AND TITLE <u>Donald S. Marks, R.S.</u>	Yavapai County Development Services-EU Official County or Local Seal or Stamp Well Site Review
COUNTY OR LOCAL AUTHORITY SIGNATURE <u>Donald S. Marks, R.S.</u>	
TELEPHONE NUMBER <u>928 639 8251</u>	DATE <u>7-19-06</u>

EXHIBIT 22



Yavapai County Sheriff's Office

Deputy Report for Incident 12-015988

Nature: Citizen Dispute
Location: E31

Address: 4615 E GOLDMINE RD
Rimrock AZ 86335

Offense Codes: CDIS		
Received By: Schwartz, C	How Received: T	Agency: YCSO
Responding Officers: Harper, K		
Responsible Officer: Harper, K		
When Reported: 18:27:04 05/16/12	Disposition: CNA 05/16/12	
Occurred Between: 18:00:00 05/16/12 and 18:26:12 05/16/12		
Assigned To:	Detail:	Date Assigned: **/**/12
Status:	Status Date: **/**/12	Due Date: **/**/12

Complainant: 389313

Last: OLSON

DOB: [REDACTED]

Race: W

Sex: F

First: PATRICIA

Dr Lic: [REDACTED]

Phone: (928)592-9211

Mid:

Address: 4615 E. GOLDMINE RD.

City: Rimrock, AZ 86335

Offense Codes

Reported: DCON Disorderly Conduct

Observed: CDIS Citizen Dispute

Additional Offense: CDIS Citizen Dispute

Circumstances

LT13 Highway/Road/Alley

EVID Evidence Booked

Responding Officers:

Harper, K

Unit :

E29

Responsible Officer: Harper, K

Received By: Schwartz, C

How Received: T Telephone

Agency: YCSO

Last Radio Log: 20:24:22 05/16/12 CMPLT

Clearance: CRD Cleared by Responding
Deputy

When Reported: 18:27:04 05/16/12

Judicial Status:

Misc Entry: 2679

Disposition: CNA Date: 05/16/12

Occurred between: 18:00:00 05/16/12
and: 18:26:12 05/16/12

Modus Operandi:

Description :

Method :

Involvements

Date	Type	Description
------	------	-------------

05/23/12

Narrative**Investigation Narrative****Synopsis:**

Patricia Olsen and John Dougherty are involved in a long standing dispute, and Patricia has obtained an Injunction against Harassment against John. Today, Patricia saw John near her business property and she ran to confront him in the roadway. She stood in the roadway as he rode his motorcycle towards her and stopped. She yelled a profanity at him, and pointed in his face. He then drove forward and Patricia alleged that his motorcycle struck her body.

An investigation determined that the motorcycle did not collide with Patricia. It appeared that Patricia was possibly illegally blocking the roadway and both parties were told to seek civil remedies.

Vehicle Involved: Black 2003 BMW motorcycle Az/5MCR8Z
VIN: WB10182A83ZE48438
R/O: John E Dougherty

Involved Person #1: Olsen, Patricia W/F [REDACTED]
4615 E. Goldmine Rd, Rimrock, Az 86335

Involved Person #2: Dougherty, John E W/M [REDACTED]
5225 Bentley Drive, Rimrock, Az 86335

Evidence Impounded: (1) Audio CD recording of 2nd phone call and the
entire investigation reference the motorcycle

(1) CD of Digital Photographs

Measurements: McBride Road -- approximately 13.0 feet wide (a dirt
road which varies in width)

John's motorcycle pulled up to the edge of the drive
to the Water Company property 188.0 feet south of the
reference point (the McBride Rd/GoldMine Rd street
sign pole)

Patricia stood in the roadway 93.0 feet south
of the reference point

Patricia was 6.0 feet from the west curb line in my
estimation based on what she showed me originally. She
disputed that and showed me a point (after dark) that
was 4.5 feet from the west curb line

Related D.R.: #12-015962 (reported violation of Injunction against
harassment)

Narrative:

On 5-16-2012, at approximately 1730hrs, I spoke at length with Patricia Olsen on the telephone reference a reported violation of an Injunction against Harassment that Patricia had against John Dougherty.

Patricia called YCSO dispatch to report that her lawyer received an e-mail today advising that John had viewed construction equipment at Patricia's Water Company business at 4599 E. Goldmine Road.

I called Patricia back and she told me about the e-mail her lawyer received. She alleged to me that this meant that John had been on her property. Patricia then told me that she had actually seen John on the property at the time he was there yesterday around two o'clock. She said, however, that she did not call the police yesterday because the Sheriff's Department doesn't take any action (she then gave me a couple of examples).

I listened to Patricia's account of what had happened and also reviewed

the Injunction listed in the police computer. I pointed out that it prevented John from going directly on Patricia's property and she said that it said he had to be "25 feet" away from the property. I saw that there were no measurements anywhere in the Injunction and reiterated that to Patricia. She then said that each Deputy had complained about the same thing, but Patricia said the Judge specifically told her it was 25 feet.

I asked Patricia some very specific questions about where she had seen John on her property and her answers seemed somewhat evasive. At one point she said that she had "snuck" up on him and hid behind a bush while he was 10 feet away. I pointed out to her how close that was and questioned whether someone could be within 10 feet of someone and not have them know.

I asked her what she was alleging as the crime and she said that he had violated the order. I learned from Patricia that he had never seen her and did not know that she was inside the house. Patricia did allege that she had been outside throughout the day, and felt that John had been watching her, but she admitted she had not seen John. After speaking with Patricia, I told her that the only possible violation of the Injunction might be whether or not he had been on her property.

Patricia alleged that he had actually been on her property and I decided to ask her questions to determine where he had been, etc.

As I asked specific questions about where John had been, I pointed out several times that nothing in the Injunction seemed to prevent him from doing what he was doing. This seemed to irritate Patricia, but she listened patiently and asked many questions. I finally told Patricia that I would be driving out to her location to have her walk me through the exact movements John had made. I hung up and went and prepared to call a victim reference a stolen credit card I had recovered.

Instead, I received another call from Patricia and I recorded this call on my audio recorder. Patricia sounded calmer and said that she wanted to change her mind on reporting the violation of the Injunction. She and I talked at length again about how the Injunction could be possibly modified by the judge to include distances, roadways, etc. that could make it more effective. I did tell Patricia several times that the Judge, however, might not decide to enact any of the changes she would ask for.

Patricia got off the phone and I called my victim from another incident. When I got off the phone, Sgt. Williams advised me of a new call that Patricia had made to dispatch alleging a traffic offense. He asked that I drive out and contact her and investigate the incident.

Motorcycle Incident Investigation:

I arrived at 4615 E. Goldmine and contacted Patricia. There was an older female and a male and female couple also there. Everyone seemed rather excited and I listened as Patricia told me what had happened.

Patricia told me that shortly after she got off the phone with me, she was telling her houseguests what I had said reference amending the Injunction. She said that Barbara Anna Brunner happened to be near the rear window of the house (which looks out, and up the hill to where the Water Company business property is located).

Barbara exclaimed that John was near the Water Company on McBride Road (a private property roadway that appears to be a regular roadway, only narrower).

Patricia said that she went to the window, saw it was John on a motorcycle and that he had driven "up to my gate on my well site" (this was later found to be untrue, based on the definite tire marks found on the roadway).

Patricia told me that she walked out of her house and up towards the Water Company property and she saw John turn his motorcycle around. She said

that he rode his motorcycle directly towards her (the roadway is 13 feet wide and the only way out is to go back towards Goldmine Road). Patricia said that when John stopped she yelled at him, "You leave me the fuck alone! Do you hear me?! You leave me the fuck alone!"

Patricia demonstrated to me as she said these words that she had her right hand in the air in front of her, with her index finger pointed at him and "poking" the air as she spoke to add emphasis to her words.

Patricia said that was when John accelerated his motorcycle and hit her body on the right side. She pointed to her body and said that his handlebar hit her on her right side just above the waist line, and that his black saddlebag hit her on the outside of her right thigh.

Patricia then told me that Barbara saw what had happened. I spoke with Barbara who said that she had some medical issues and couldn't get outside right away. She said that she did see him on the motorcycle and could identify that as being him riding on the roadway.

I then learned that "Diane" (who did not come outside) had also seen the incident. Barbara (at my request) went inside and asked Diane if she saw the motorcycle actually hit Patricia. Diane told Barbara that she saw him get "very close".

I examined the roadway then and asked if McBride was actually a private drive (it looked like a street, or roadway, including street sign and stop sign). Patricia said that it was a private road. I then examined the signage and found that nothing indicated that it was a private road, or that people were not welcome to drive on it. I had Patricia walk me to the point on the roadway where the incident had happened and I took numerous photographs of the roadway (I later returned and took measurements, also).

Based on this, I quickly concluded that John had not violated the Injunction by simply driving on that road. I also concluded that it appeared, at least initially, that Patricia had ran from a place of safety in her house, outside to be in the direct path of John who would have to go directly to where she was at, in order to leave the area.

Further, I could see the marks in the dirt where he had driven, and it appeared that he had driven straight, at least prior and after the area where Patricia had been standing (I couldn't see the continuation of the marks right where Patricia had been) and made sure that he stayed away from driving on her property.

As I returned to the group, the man who was standing there loudly said that John must be arrested. I asked him why he would say that, since I didn't really see a violation, even if his motorcycle had hit Patricia. The man loudly said that there was an Injunction against John.

I pointed out to everyone there (who all seemed to have the same opinion that John was not allowed to be anywhere near this area) that I had seen the Injunction in the computer and that he was really not prohibited from doing very much. I pointed out he could be in the area.

I then listened several times as Patricia repeated the story and became irritated when I said that she had caused John to stop in the roadway. I learned that she felt he should have simply driven to the far right side of the roadway and driven on past her. I felt that this would place him in a position where he might actually hit her and I told her that I felt he was safer by stopping.

Eventually, Patricia's husband drove up and he was quite angry, even before making any contact with me. He asked immediately if I was going to be doing an investigation, and make an arrest, and pointed out that he was going to be calling the Department of Justice if things weren't done to his liking.

At one point, Patricia's husband (believed to possibly be Gregory Olsen) said that if the Injunction wasn't going to be effective in keeping John away

from the home, then he was going to drive to John's house and yell at him from the street. I pointed out there was a difference between exercising a person's ability to move about freely, and causing a disorderly conduct by yelling. I suggested that he not go over there, but told him that I wasn't preventing him from going there. He then drove off and I later saw him in front of John's house.

I did then go over to John's house and spoke with him about the incident. He told me what had happened, and said that he was at the location to take some photographs of two new tanks that had just been installed. He said that he had just filed a motion with the Arizona Corporation Commission to get a restraining order against "Well Site #1" (possibly filed as recently as 5 hours before this incident).

He said that he saw Patricia come running around the corner of her house towards him, and said that he had only been there in front of the drive for 30 seconds. He said that because she has an Injunction against him, he didn't want trouble and he turned his motorcycle to the left and made a u-turn. He said that as he finished his turn, she was right there in front of him, blocking the road. He said that he did not want to drive past her, because she might jump in front of him and say that he had hit her.

Instead, he said that he still had his motorcycle helmet on, his wind visor down and he said that he pulled up to where she was standing and he stopped. John said that Patricia immediately yelled that he had better "fucking" stop bothering her "you son of a bitch!" and John said that he remained completely quiet.

He then rode forward, leaning his body to the right to stay away from her and he continued on home. I then told him that she was making the allegation that he had struck her with his motorcycle and he appeared to be genuinely surprised, but then said that she would say something like that because she liked to stir up trouble.

I then went and examined the BMW motorcycle that John had been riding. I asked him to get the keys so he could unlock the steering column and sit on the bike and show me how it looked as it would have looked when he stopped in front of Patricia.

I immediately noticed that the left rear view mirror stuck out at least 2 to 4 inches farther than the handlebar. I examined the back of the mirror, which would have been the part that would have struck Patricia. I saw that the entire mirror, and metal assembly holding the mirror and attaching it to the handlebar was very dusty, dirty and covered in raised bugs. It was easy to see that nothing had been disturbed on the back of the mirror. In addition, it did not appear that anything had been disturbed where the arm holding the mirror met with the handlebar -- indicating that the mirror had not been pushed towards the body of the motorcycle, and then pushed back into its original place. It appeared to me that the mirror had not had any contact with anything in a considerable amount of time, if ever.

I took photographs of the motorcycle. I then stood in the position that Patricia had shown me she had been standing. I saw that to impact me in the places she had shown me, that I had to turn almost completely away from the motorcycle, in order for it to impact me on the middle right side of my body. In fact, I was essentially walking away from the motorcycle in order to line the parts of the handlebar, etc. with the middle right side of my body.

Based on this, I concluded that the incident did not occur as Patricia said it did. I then gave John my card, with the report number on it, and advised him that he might consider getting an Injunction against the Olsens, in order to prevent what was happening at the time (Mr. Olsen had parked his car on the street almost in front of John's house. He had then sat himself down on a power transformer in front. He was making statements (talking, not yelling) about past problems between the two of them which John simply ignored).

I then returned to Goldmine Road and began taking measurements. I saw that Patricia was out in the darkness with a tape measure and saw that she had

determined that when John was riding on McBride Road that he was 13 feet from her property line. Because of this, she felt he was in violation of the Injunction. I pointed out that there was no "25 foot" indicator in the order and again suggested that she go to the court in the morning and speak to Judge Dwyer (I believe was the name of the Judge) about amending the order.

I gave Patricia my card with the report number on it, and suggested that I take photographs of her injuries. We went inside the front door of her house and I took a photograph of the right side of her waist area. She told me that although that area had hurt earlier, she could not find any marks. I also did not see any marks.

I then took a photograph of her lower right thigh area. I definitely saw what appeared to be a small fresh bruise on the side of her right thigh, although there was no way to tell what caused it. I took two photographs and then prepared to leave.

Patricia asked me what was going to happen with the investigation and I told her that I didn't believe that she was struck by the motorcycle in the manner that she had said. I also had pointed out repeatedly to her earlier that I believed that she had possibly committed a crime by blocking a thoroughfare (I was unsure, however, since this was a private drive if the Title 13-2906A statute was applicable in this situation).

I told her that I would document everything, including the photos and the audio recordings. I told her that she could consider getting an injury attorney to assist her if she felt that was necessary.

I then concluded my investigation and left the area.

This report is for informational purposes only.

Date, Time, Reporting Officer:
Thu May 17 00:37:51 MST 2012
Deputy K. Harper, L8999

Report Approved:
Tue May 22 22:44:48 MST 2012
Sgt. D.E. Williams, #2679

Responsible LEO:

Approved by:

Date

EXHIBIT 23



Arizona Department of Revenue
Division of Property Valuation & Equalization
AFFIDAVIT OF PROPERTY VALUE
DPVE Form 82162

AFFIDAVIT OF PROPERTY VALUE

1. ASSESSOR'S PARCEL NUMBER(s) (Primary Parcel Number)

(a) 405-25-517-2
BOOK MAP PARCEL SPLIT

NOTE: If the sale involves multiple parcels, how many are included?

(b) List the number of additional parcels other than the primary parcel that are included in sale.

(c) _____ (d) _____
(e) _____ (f) _____

2. SELLER'S NAME & ADDRESS:

ROBERT ALSTON BEDAIR and SUSAN DIANE BEDAIR

345 SHILL ROAD

CAMP VERDE, AZ 86322

3. BUYER'S NAME & ADDRESS:

ANNA BARBARA BRUNNER

P.O. BOX 20351,

SEDONA, AZ 86341

Buyer and Seller related? Yes ☐ No ☒

If yes, state relationship: _____

4. ADDRESS OF PROPERTY:

4645 E. TIEMANN LANE

RIMROCK, AZ 86335

5. MAIL TAX BILL TO:

ANNA BARBARA BRUNNER

P.O. BOX 20351

SEDONA, AZ 86341

6. TYPE OF PROPERTY (Check one):

- | | |
|--|---|
| a. <input checked="" type="checkbox"/> Vacant Land | f. <input type="checkbox"/> Commercial/Industrial |
| b. <input type="checkbox"/> Single Fam. Res. | g. <input type="checkbox"/> Agriculture |
| c. <input type="checkbox"/> Condo/Townhouse | h. <input type="checkbox"/> Mobile Home |
| d. <input type="checkbox"/> 2-4 Plex | Affixed <input type="checkbox"/> |
| e. <input type="checkbox"/> Apartment Bldg | i. <input type="checkbox"/> Other, Specify: _____ |

7. RESIDENTIAL BUYER'S INTENDED USE (Answer if you checked b, c, d, or h above) (Check One):

- ☐ To be occupied by owner or "family member." N/A
☐ To be rented to someone other than "family member."

8. PARTY COMPLETING AFFIDAVIT (Name, Address & Phone)

Seller at address shown above: Phone: _____

Buyer at address shown above: Phone: _____

CHICAGO TITLE INSURANCE COMPANY

348 South Main, Suite 1, P.O. Box 4685 Camp Verde, AZ 86322

FOR OFFICIAL USE ONLY (buyer and seller leave blank)

(a) County of Recordation: 13
(b) Docket & Page Number: 3891-261
(c) Fee/Recording Number: 3418900
(d) Date of Recording: 12-3-02
Assessor/DOR Validation Codes:
(e) Assessor _____ (f) DOR _____

10. TYPE OF DEED OR INSTRUMENT (Check One):

- | | |
|--|---|
| a. <input checked="" type="checkbox"/> Warranty Deed | d. <input type="checkbox"/> Contract or Agreement |
| b. <input type="checkbox"/> Special Warranty Deed | e. <input type="checkbox"/> Quit Claim Deed |
| c. <input type="checkbox"/> Joint Tenancy Deed | f. <input type="checkbox"/> Other |

11. TOTAL SALES PRICE:

\$ 7,000.00

12. PERSONAL PROPERTY:

Did the buyer receive any personal property that has a value greater than 5% of the sales price?

(a) Yes ☐ No ☒ If yes, briefly describe: _____

Approximate value: (b) \$ _____

13. DATE SALE:

12 01
Month Year

NOTE: This is the date of the contract of sale.

If you are recording title in fulfillment of a previously recorded contract, you need not complete this affidavit.

14. CASH DOWNPAYMENT:

\$ 7,000.00

15. METHOD OF FINANCING (check all that apply):

- | | |
|---|--|
| a. <input checked="" type="checkbox"/> None | b. <input type="checkbox"/> Exchange or trade |
| c. <input type="checkbox"/> Assumption of existing loan(s) | d. <input type="checkbox"/> New loan from seller |
| e. <input type="checkbox"/> New Loan(s) from financial institution: | (Seller Carryback) |
| 1. <input type="checkbox"/> Conventional | 2. <input type="checkbox"/> VA |
| 3. <input type="checkbox"/> FHA | |
| f. <input type="checkbox"/> Other: Explain: _____ | |

16. PARTIAL INTERESTS:

Is only a partial interest (e.g., 1/3 or 1/2) being transferred?

Yes ☐ No ☒ If yes, explain: _____

17. SOLAR ENERGY (check all that apply):

- | | |
|---|--|
| a. <input checked="" type="checkbox"/> None | b. <input type="checkbox"/> Hot Water |
| c. <input type="checkbox"/> Heating-Passive | d. <input type="checkbox"/> Heating-Active |

18. LEGAL DESCRIPTION

Lot 500, LAKE MONTEZUMA ESTATES UNIT #2

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Robert Alston Bedair
Signature of Seller/Agent: ROBERT ALSTON BEDAIR

State of Arizona, County of Yavapai

Subscribed and sworn to before me this

27th day of December, 2001

Notary Public

Notary Expiration Date JUNE 19, 2005



JOANNA K. ROWLETTE
Notary Public - State of Arizona
YAVAPAI COUNTY
My Comm. Expires June 19, 2005

Anna Barbara Brunner
Signature of Buyer/Agent: ANNA BARBARA BRUNNER

State of Arizona, County of Yavapai

Subscribed and sworn to before me this

31st day of December, 2001

Notary Public

Notary Expiration Date Feb 29, 2003



ELISSA JEWELL
Notary Public - State of Arizona
YAVAPAI COUNTY
My Comm. Expires Feb 29, 2003

AFFIDAVIT OF PROPERTY VALUE

1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(s)
 Primary Parcel: 405-26-517
 BOOK MAP PARCEL SPLIT LETTER
 Does this sale include any parcels that are being split / divided?
 Check one: Yes ☐ No ☒
 How many parcels, other than the Primary Parcel, are included in this sale? _____
 Please list the additional parcels below (no more than four):
 (1) _____ (3) _____
 (2) _____ (4) _____

2. SELLER'S NAME AND ADDRESS
ANNA BARBARA BRUNNER
P.O. Box 20381
Sedona, AZ 86341

3. (a) BUYER'S NAME AND ADDRESS:
MONTEZUMA RIMROCK WATER CO., L.L.C.
P.O. Box 10
Rimrock, AZ 86335
 (b) Are the Buyer and Seller related? Yes _____ No ☒
 If Yes, state relationship: _____

4. ADDRESS OF PROPERTY:
VACANT LAND, LAKE MONTEZUMA, AZ 86342

5. MAIL TAX BILL TO:
MONTEZUMA RIMROCK WATER CO., L.L.C.
VACANT LAND
LAKE MONTEZUMA, AZ 86342

6. PROPERTY TYPE (for Primary Parcel): NOTE: Check Only One Box
 a. ☒ Vacant Land f. ☐ Commercial or Industrial Use
 b. ☐ Single Family Residence g. ☐ Agriculture
 c. ☐ Condo or Townhouse h. ☐ Mobile or Manufactured Home
 d. ☐ 2-4 Plex i. ☐ Other Use; Specify: _____
 e. ☐ Apartment Building

7. RESIDENTIAL BUYER'S USE: If you checked b, c, d or h in Item 6 above, please check one of the following:
☐ To be occupied by owner or "family member." ☐ To be rented to someone other than family member.
 See reverse side for definition of a "family member."

8. NUMBER OF UNITS: _____
 For Apartment Properties, Motels, Hotels, Mobile Home Parks, RV Parks, Mini-Storages, etc.

9. FOR OFFICIAL USE ONLY: Buyer and Seller leave blank
 (a) County of Recording: 13
 (b) Docket & Page Number: 4335-428
 (c) Date of Recording: 11-16-05
 (d) Fee/Recording Number: 3942663
 Validation Codes:
 (e) ASSESSOR: (1) DOOR
 ASSESSOR'S USE ONLY
 Verify Primary Parcel in Item 1: _____
 Use Code: _____ Full Cash Value: \$ _____

10. TYPE OF DEED OR INSTRUMENT (Check Only One Box):
 a. ☒ Warranty Deed d. ☐ Contract or Agreement
 b. ☐ Special Warranty Deed e. ☐ Quit Claim Deed
 c. ☐ Joint Tenancy Deed f. ☐ Other: _____

11. SALE PRICE: \$ 35,000.00

12. DATE OF SALE (Numeric Digits): 10 / 2005
 Month Year
 (For example: 03 / 05 for March 2005)

13. DOWN PAYMENT: \$ 3,000.00

14. METHOD OF FINANCING:
 a. ☐ Cash (100% of Sale Price) e. ☐ New loan(s) from financial institution:
 b. ☐ Exchange of Trade (1) ☐ Conventional
 c. ☐ Assumption of existing loans (2) ☐ VA
 d. ☒ Seller Loan (Carryback) (3) ☐ FHA
 f. ☐ Other financing; Specify: _____

15. PERSONAL PROPERTY (see reverse side for definition):
 (a) Did the Sale Price in Item #11 include Personal Property that impacted the Sale Price by 5% or more? Yes _____ No ☒
 (b) If Yes, provide the dollar amount of the Personal Property:
 \$ 00 AND
 briefly describe the Personal Property: _____

16. PARTIAL INTEREST: If only a partial ownership interest is being sold, Briefly describe the partial interest: _____

17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone):
YAVAPAI TITLE AGENCY, INC.
527 S. Main St., Camp Verde, AZ 86322
Phone (928) 557-0690

18. LEGAL DESCRIPTION (attach copy if necessary):
See Exhibit A attached hereto and incorporated by reference.

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT REPRESENTATION OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Signature of Seller/Agent: Anna Barbara Brunner
 State of Arizona, County of Yavapai
 Subscribed and sworn to before me this 11th day of November, 2005
 Notary Public: [Signature]
 Notary Expiration Date: 11/24/2007

Signature of Buyer/Agent: [Signature]
 State of Arizona, County of Yavapai
 Subscribed and sworn to before me this 11th day of November, 2005
 Notary Public: [Signature]
 Notary Expiration Date: 11/24/2007

EXHIBIT 24



FACILITY MEETING SUMMARY

DATE: April 26, 2012 TIME: 10 - 11:30 LOCATION: ADEQ - Phoenix, AZ

PUPOSE OF MEETING: Discuss status of arsenic treatment system at Montezuma Rimrock Water Co

NAME OF FACILITY: Arizona Department of Environmental Quality (ADEQ) and Arizona Corporation Commission (ACC)

ADDRESS OF FACILITY: Phoenix, AZ

PRIMARY WQD SECTION: Water Quality Compliance Section

UNIT: Enforcement Unit

ATTENDEES:

Name	Affiliation	Phone
1. Patricia Olsen <i>P.O.</i>	Montezuma Rimrock Water Co	
2. Mindi Cross <i>MC</i>	ADEQ	(602) 771-2209
3. Marcia Colquitt <i>MC</i>	ADEQ	771-4651
4. Vivian Burns <i>VB</i>	ADEQ	771-4608
5. Nancy Scott <i>NS</i>	ACC	542-0743
6. Marlin Scott <i>MS</i>	ACC	542-7262
7. Jeff Michlik <i>JM</i>	ACC	364-2034

KEY SUMMARY/AGREEMENTS/EXPECTATIONS:

Dispers Consent Order requirements and Amendment - Status of Arsenic Treatment Sys?

What is your Next Step —? MRCross - What's Next?

P. Olsen - What do you want me to do —?

MRR

M. Colquitt - Do you need Well # 4? / P.O. Need 150 gpm

What alternative do you have

Current 50 gpm

if ^{can't} put well on-line. —?

P.O. Prob. would lose pressure if Well # 4 doesn't go online.

NEEDS pressure for future Crestones —

MRR = Montezuma Rim Rock Water Co.

ATS = ARSENIC Treatment Sys.

ADEQ - Must install treatment -

MRR - Have appealed ^{again} Yavapai Cty for permit.

ACC - Timeline for lawsuit? Hearing Next week - ^{to est.} court date.

P. Olson - No optout wells to use.

ADEQ - Sent Admin NOV - Penalties can be kicked in

Admin NOV - Photo MRR on Notice - ADEQ - Grace MRR

Copy of the Admin NOV. Ms. D. said she has Not received

Certified copy

ACC - What is lawsuit w/ Yavapai Cty? MRR - ^{Appealing} ^{Expiration of} ~~canceling~~ permit for well # 4 - ^{for 50' setback.}

Cty wants MRR to get permission from customer -
for the set-back. MRR - ^{County} ~~Customers~~ ^{own} have rec. permits
w/ less than 50' setback -

ACC - What is NEEDED for MRR to be able to use ~~the~~ well # 4

MRR - Can install Arsenic Sys, but can't use treated water yet

ADEQ - R U moving forward w/ installation of the ATS?

MRR - Submitted letter from installer - Does Not want to
give copy of letter. ^{the} letter says can install by June 7, 2012.

ADEQ - What is backup plan - MRR - Win suit against Cty.

ACC - is only option to use ^{the} Sys that uses 150 gpd/M?

If ^{well isn't} ~~can't~~ ^{not} ~~well~~ approved will need to install "Booster pumps"

ADEQ - If Need to Make changes in ^{sys} ~~sys~~ - NO New ATC

add changes on AOC. ^{If No} ~~Extensive~~ ^{changes.}

ADER - Clarification - Can use existing well / with
booster system if needed ~~then~~ → Can then use Arsenic Test

MRR - City considers #4 as a New Well - It is a replacement well.

MRR - Plan B - Add Booster Pumps to support A.T.S.

MRR - If B. Pumps used - Modify or New ATC? How long
to get approval?

ADER - Can you Meet June 7 deadline? MRR - YES.

ADER - We have received complaints about not being able
to get alt. water. MRR - Says she is available and
will give customers water if they call.

MRR - Says all customers get 40 psi.

MB → Contact Ms. Olson each time we receive
a complaint so she can handle the complaint.

MRR - Would like a written report on the complaint.

MRR - "Will feed well #4 into storage tank back wash"

ADER - Reminder - Consent order was signed - and
compliance is past due. MRR "yes"

MRR - Using well #4 to irrigate vegetation.
(now)

MRR - Does MRR need to wait for the ADC before using the
New Well?

ADER - Will over-see ADC approval process.

MRR - Is continued monthly sampling for Arsenic at TRA's

7.
3.
~~ADP~~ - Continue ~~servicing~~ sampling at ~~RO~~ ^{and} ~~test~~ serving
all water until AOC is issued -

ACC - Customer base? MRR ~~220~~

* ~~ADP~~ To check & see if using Well #4 for
~~backwash~~ is a problem & Need modifications, etc.

* ~~ADP~~ ~~ENGINEERING~~ Sect Mgrs to follow up if feed back
is necessary

* ~~ADP~~ - Check w/ Eng Review Sect - Re
Fire Protection.

C-EX94

ORIGINAL

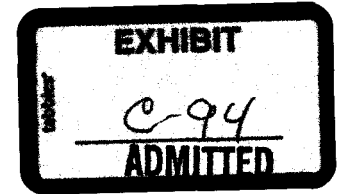
July 20, 2011

Ernest G. Johnson
Executive Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

RECEIVED

2011 JUL 20 P 12:11

ARIZONA CORPORATION COMMISSION
DOCKET CONTROL



Docket Nos. W-04254A-08-0361 and W-04254A-08-0362

**IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE.**

Arizona Corporation Commission
DOCKETED

JUL 20 2011



**IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION.**

Submitted by John E. Dougherty
Intervener*

**Motion seeking Order directing Commission Staff to
Prepare an
Order to Show Cause Hearing
to Revoke
Montezuma Rimrock Water Company LLC's
Certificate of Convenience and Necessity**

1. On March 2, 2010, the Commission voted 5-0 to reject a request by the Montezuma Rimrock Water Company LLC to extend a December 31, 2009 deadline to file a copy of the Arizona Department of Environmental Quality Certificate of Approval of Construction for its new Well No. 4, as set forth in Decision No. 71317.
2. The Commission's affirmative action not to extend the deadline placed Montezuma Rimrock out of compliance with Decision No. 71317.
3. During the discussion on what would happen if Montezuma Rimrock failed to meet the deadline, Commission Staff Director Mr. Steve Olea stated:

"Staff's recommendation would be if they can't meet that date, then we would do an Order to Show Cause where they would have to show why they should either be given more time or why some other sanctions should not be imposed."

4. Moments later in the hearing, in response to a question from Commissioner Kennedy asking what would happen if the Commission voted not to extend the deadline, Mr. Olea again stated that staff would have no choice but to prepare an Order to Show Cause:

"Madame Chair and Commissioner Kennedy: You asked the question what happened if you do nothing today. If you do nothing today, the company is out of compliance. At that point, when they are out of compliance, basically your doing nothing has told staff you're not going to give them the time extension.

"The only option, at least that I see staff has, is to do an Order to Show Cause because they are out of compliance. At that point we would do exactly what the judge said, we would list all the counts the company would have to respond to."

5. As of July 20, 2011, Montezuma Rimrock has not submitted a copy of the ADEQ Certificate of Approval of Construction for Well No. 4 and remains out of compliance with Commission Order 71317.

6. More than 16 months have passed since the Commission unanimously voted *not* to extend the deadline under the clear impression that by doing so staff's only option was to prepare an Order to Show Cause.

7. A state of emergency exists for MRWC's customers because Montezuma Rimrock is unable to provide safe, potable drinking water, has no prospect of accomplishing this basic requirement in the near future and the company is now teetering on financial collapse.

8. The company reported a net loss of \$15,360 on operating revenue of \$101,961 in its 2010 Annual Report. The company reported net income of \$6,992 on revenue of \$103,346 in 2009. The company's 2010 Annual Report reported only \$1,514 in cash at yearend, down precipitously from \$14,946 at the end of 2009. Montezuma Rimrock reported total current and accrued assets of \$1,891 at the end of 2010, down sharply from \$21,907 at the end of 2009.

9. During the March 2, 2010 hearing Commission Chairwoman Kris Mayes clearly stated her concern over the then looming possibility that the company would be forced to provide bottled water to its customers because Montezuma Rimrock had failed to meet arsenic treatment standards.

"This is ridiculous. We can not have a situation where people in this area are being forced to drink bottled water because the company has been unable so far to complete the arsenic treatment...It seems like we are heading for a cliff here, that this company is heading for a cliff that is now foreseeable. Within a matter of weeks they are going to have to start handing out bottled water."

10. On (May 27, 2010 effective June 7, 2010) Montezuma Rimrock signed an ADEQ Consent Order requiring the company to provide bottled water. Montezuma Rimrock missed a June 7, 2011 deadline to build the arsenic treatment plant. In June 2011, ADEQ

extended the deadline to build the arsenic treatment plant to April 2012. Montezuma Rimrock water customers are now in their second year of having to make an appointment with the company to obtain bottled water from the company's office.

11. As of July 20, 2011, Commission staff has taken no steps to seriously address the egregious failure of Montezuma Rimrock to provide safe, potable drinking water or address the company's failure to construct an arsenic treatment facility. Rather, staff has orchestrated a series of delays and procedural conferences in which Montezuma Rimrock continues to miss deadlines.

12. On January 24, 2011, Montezuma Rimrock filed a request, pursuant to A.R.S. S 40-252, to have the Commission amend Decision No. 71317 to allow Montezuma Rimrock to seek funding from a private financial institution, with terms and prevailing interest rates of the financial institution. Montezuma Rimrock asserted that such an amendment would allow Montezuma Rimrock to meet the ADEQ Consent Order requirement to have its arsenic treatment facility completed by June 2011.

13. On April 27, 2011, at the Commission's Staff Open Meeting, the Commission voted 3-2 (Kennedy and Newman, dissenting) to reopen Decision No. 71317 pursuant to A.R.S. S 40-252 to determine whether to modify the decision concerning financing approval and related provisions.

14. On May 16, 2011, a Procedural Order was issued requiring Montezuma Rimrock to file, by June 16, 2011, "an update regarding its financing application with the financial institution referenced during the procedural conference, which update was to identify the financial institution; completely describe the terms of the financing requested; provide the status of the application; and if the application had been disapproved, describe the alternate arrangements Montezuma Rimrock was exploring to finance the arsenic treatment facilities for its system or any other actions Montezuma Rimrock intended to explore or to take to remedy its system's arsenic MCL exceedance (sic)."

15. On June 15, 2011, Montezuma Rimrock filed a June 10, 2011 letter to Montezuma Rimrock from Sunwest Bank stating that Sunwest Bank had determined that Montezuma Rimrock does not appear to have sufficient cash flow to service the debt for its requested \$165,000 loan. Sunwest stated in its letter:

"The income reported on your 2010 tax returns shows a net loss for the year so there is no reporting income to support this loan request."

16. The decision by Montezuma Rimrock to abandon the WIFA loan and its subsequent inability to obtain a private loan should not be a surprise to the commission staff nor should it be a revelation to the Commission.

During the March 2, 2010 Commission open meeting, Administrative Law Judge Sarah Harping stated:

"The WIFA loan, as I understood it, was the company's only option for obtaining the financing, at least at that time, to create the arsenic treatment facility in the first place. So without that availability, they are in a very bad place."

17. Montezuma Rimrock did not provide any information for alternative arrangements it intended to pursue if the private financing was rejected as required by the May 16, 2011 Procedural Order. Montezuma Rimrock is now in that "very bad place" described by Ms. Harping.

18. Rather than proceeding with the appropriate action of finally scheduling an Order to Show Cause hearing, on June 29, 2011 staff opted to hold a **second** Procedural Conference scheduled for July 22, 2011.

19. Staff stated the need for a second Procedural Conference was "because it appears unlikely that Sunwest Bank is willing to provide a loan to Montezuma Rimrock, and Montezuma Rimrock has not provided any information regarding alternate means of financing arsenic treatment facilities or any other actions to be explored or taken to remedy (its failure to meet the MCL for arsenic) it is unlikely that Staff has sufficient information to make a meaningful filing...Additionally, it is unclear whether Montezuma Rimrock is to be represented by counsel in this matter."

20. The fact that Montezuma Rimrock missed the June 16, 2011 deadline in the first Procedural Order does not mean Staff has no option other than to grant yet another extension and another opportunity for the company to explain why it hasn't produced an alternative arsenic treatment plan, why it has not obtained a private loan or whether it has obtained counsel.

There is no justifiable reason to extend any more deadlines to Montezuma Rimrock. Incompetent and corrupt management has created a crisis on many fronts including:

- * The company's financial position has deteriorated steadily and appears heading for bankruptcy.

- * The company has been unable to find a lender willing to provide a private loan to build the arsenic treatment plant.

- * The company fails to meet the most basic requirement of a public water utility to provide safe, potable water to its customers.

- * The company that has been out of compliance with Commission Order 71317 for more than 18 months.

- * The company has rejected seeking a low-cost WIFA loan because it can't afford to pay for the environmental studies that are designed to protect Wet Beaver Creek and Montezuma Well National Monument.

21. A reasonable person would conclude from the facts described above that it is the Commission's legal duty and obligation to immediately take the necessary steps to order staff to prepare an Order to Show Cause Hearing to consider revoking Montezuma Rimrock's Certificate of Convenience and Necessity.

22. In addition to the overwhelming evidence provided above for the immediate need of an Order to Show Cause, my investigation into the operation of Montezuma Rimrock has so far revealed several substantial irregularities.

23. First, public records indicate that Montezuma Rimrock (MRWC)) incurred "long-term debt" without Commission approval and without fully disclosing such debt on Annual Reports filed with the Commission for at least 2007, 2008, 2009 and 2010. The failure to report the long-term debt violates Commission Order 67583. The Order states:

MRWC shall not encumber the assets of the utility in any way without prior Commission approval;

MRWC shall maintain its books and records in accordance with the NARUC Uniform System of Accounts;

24. On October 19, 2005, Montezuma Rimrock signed a "Deed of Trust" obligating Montezuma Rimrock to repay a \$32,000 loan to Anna Barbara Brunner for the purchase of a lot (Yavapai County Assessor No. 405-25-517) in Rimrock. The company subsequently drilled "Well No. 4" on this lot. Patricia Arias (aka Olsen) signed the Deed of Trust as "managing member of the Montezuma Rimrock Water Company LLC". (Exhibit 1)

25. There is no record that can be found in Yavapai County indicating that the Deed of Trust is not in full force or that the loan has been fully repaid.

26. The affidavit of value states the property was purchased for \$35,000, with a \$3,000 cash down payment. The affidavit indicates that the seller provided a "carryback" loan and the buyer was Montezuma Rimrock. (Exhibit 2)

27. The Yavapai County Treasurer states the owner of the property is Montezuma Rimrock. (Exhibit 3)

28. Montezuma Rimrock's Annual Reports for 2007, 2008 and 2009 do not report any long-term debt. (Exhibit 4)

29. Montezuma Rimrock's 2010 Annual Report states a long-term debt "balance at end of year" of \$28,611 on line item 224 of the balance sheet.

30. Montezuma Rimrock does not disclose the long-term debt under "Supplemental Financial Data" in the 2010 Annual Report. The supplemental section requires a company to report when the commission authorized long-term debt, among other disclosures. (Exhibit 5)

31. Montezuma Rimrock's apparent failure to disclose the long-term debt is not the first time the company has misled regulators in its filings.

In late 2009, Montezuma Rimrock submitted a false statement in connection with

its WIFA loan application to obtain a \$165,000 loan to build the arsenic treatment plant. In January 2010, I filed a complaint with WIFA concerning Montezuma Rimrock's loan application.

WIFA investigated the discrepancies and in February 2010 rescinded its approval for the loan and instead required Montezuma Rimrock to submit an Environmental Information Document. In November 2010, WIFA determined that Montezuma Rimrock would need to complete an Environmental Impact Statement before the WIFA loan could be granted.

In January 2011, Montezuma Rimrock formally abandoned seeking the WIFA loan and instead asked the commission to allow it to seek private financing, which to this point, it has been unable to obtain.

32. In addition to the failure to disclose long-term debt, there is substantial likelihood that Montezuma Rimrock's Well No. 4 will never be operable. Without Well No. 4, the company cannot build the planned arsenic treatment plant because the company's other two production wells do not have sufficient water {volume or recharge capacity} to operate the arsenic treatment plant the company intends to purchase.

33. Montezuma Rimrock installed Well No. 4 on the residential parcel without first obtaining zoning approval from Yavapai County. In 2006, Montezuma Rimrock drilled a 400-foot well within 50 feet of adjacent properties, in violation of the Yavapai County Water Code (Exhibit 6).

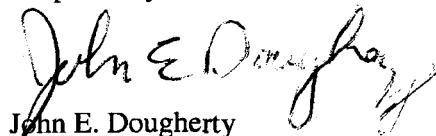
34. As of this date, Well No. 4 has not been granted a "certificate of compliance" by Yavapai County Development Services. The certificate of compliance is necessary before Montezuma Rimrock can operate the well. (Exhibit 7)

35. On April 21, 2011, Yavapai County Deputy Attorney Jack Fields avowed in Yavapai County Superior Court that Well No. 4 will not receive a certificate of compliance until it meets the requirements of the Yavapai County Water Code, including obtaining encroachment waivers from neighboring property owners. (Exhibit 8)

36. On April 21, 2011, Mr. Nick Kopko, who owns property adjacent to Well No. 4, submitted a sworn affidavit to Yavapai County Superior Court stating he will not sign an encroachment waiver for Well No. 4. (Exhibit 9)

37. In light of the facts in this case it is reasonable and appropriate to grant the intervener's motion seeking an Order directing Commission Staff to Prepare an Order to Show Cause Hearing to revoke Montezuma Rimrock Water Company LLC's Certificate of Convenience and Necessity.

Respectfully submitted,



John E. Dougherty

Intervener
PO Box 501
Rimrock, AZ
86335

* (On June 29, 2011, Arizona Corporation Commission Administrative Law Judge Sarah Harping Granted John E. Dougherty intervention status on this matter.)

Exhibit 1

Ana Wayman-Trujillo, Recorder
OFFICIAL RECORDS OF YAVAPAI COUNTY
YAVAPAI TITLE AGENCY INC DOT

B-4335 P-429
11/16/2005 04:32P
14.00 3942665

5	5
38	38
35	35
31	31
5	5

Recorded at the Request of
YAVAPAI TITLE AGENCY, INC.

When Recorded Mail To:
YTA Loan Servicing Dept.
P.O. Box 1900
Sierra Vista, Arizona 85636

09000956-EJ

B-4335 P-429
Page: 1 of 5
DOT 3942665

DEED OF TRUST AND ASSIGNMENT OF RENTS

October 19, 2005

TRUSTOR:

MONTEZUMA RIMROCK WATER CO., L.L.C., an Arizona limited liability company

Whose mailing address is p.o. box 10, RIMROCK, ARIZONA 86335

TRUSTEE:

YAVAPAI TITLE AGENCY, INC., an Arizona corporation

whose mailing address is P.O. Box 2019, Prescott, Arizona 86302

BENEFICIARY:

ANNA BARBARA BRUNNER, a single woman

whose mailing address is P.O. BOX 20351, SEDONA, ARIZONA 86341

Property situated in the County of Yavapai, State of Arizona, as described as follows:

See Exhibit A attached hereto and made a part hereof.

Together with all buildings, improvements and fixtures thereon or hereinafter erected thereon.

Street address if any, or identifiable location of this property:

VACANT LAND, LAKE MONTEZUMA, AZ 86342

THIS DEED OF TRUST, made on the above date by, between and among the TRUSTOR, TRUSTEE and BENEFICIARY above named.

WITNESSETH: That Trustor hereby irrevocably grants, conveys, transfers and assigns to the Trustee in Trust, with Power of Sale, the above described real property (the Trust Property), together with leases, issues, profits, or income therefrom (all of which are hereinafter called "property income"): SUBJECT, however, to the right, power and authority hereinafter given to and conferred upon Beneficiary to collect and apply such property income; AND SUBJECT TO:

FOR THE PURPOSE OF SECURING:

- Payment of the indebtedness in the principal sum of \$ 32,000.00 evidenced by a Promissory Note or Notes of even date herewith, and any extension or renewal thereof, executed by Trustor in favor of Beneficiary or order.
- Payment of additional sums and interest thereon which may hereafter be loaned to Trustor, or his successors or assigns, when evidenced by a Promissory Note or Notes reciting that they are secured by a Deed of Trust.
-
- Performance of each agreement of Trustor herein contained.

TO PROTECT THE SECURITY OF THIS DEED OF TRUST, TRUSTOR AGREES:

To keep said property in good condition and repair; not to remove or demolish any building, thereon; to complete or restore promptly and in good and workmanlike manner any building which may be constructed, damaged, or destroyed thereon, and to pay when due all claims for labor performed and materials furnished therefor; to comply with all laws affecting said property or requiring any alterations or improvements to be made thereon; not to commit or permit waste thereof; not to commit, suffer, or permit any act upon said property in violation of law; and do all other acts which from the character or use of said property may be reasonably necessary, the specific enumerations herein not excluding the general.

Initials:

ABB

PDR

2. To provide, maintain, and deliver to Beneficiary fire insurance satisfactory to and with loss payable to Beneficiary. The amount collected under any fire or other insurance policy may be applied by Beneficiary upon any indebtedness secured hereby and in such order as Beneficiary may determine, or at option of Beneficiary the entire amount so collected or any part thereof may be released to Trustor. Such application or release shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

3. To appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; and to pay all costs and expenses of Beneficiary and Trustee, including cost of evidence of title and attorney's fees in a reasonable sum, in any such action or proceeding in which Beneficiary or Trustee may appear or be named, and in any suit brought by Beneficiary or Trustee to foreclose this Deed of Trust.

4. To pay: before delinquent, all taxes and assessments affecting said property, when due, all encumbrances, charges, and liens, with interest, on said property or any part thereof, which appear to be prior or superior hereto; all costs, fees, and expenses of this Trust, including, without limiting the generality of the foregoing, the fees of Trustee for issuance of any Deed of Partial Release and Partial Reconveyance or Deed of Release and full Reconveyance, and all lawful charges, costs, and expenses in the event of reinstatement of, following default in, this Deed of Trust or the obligations secured hereby.

Should Trustor fail to make any payment or to do any act as herein provided, then Beneficiary or Trustee, but without obligation so to do and without notice to or demand upon Trustor and without releasing Trustor from any obligation hereof, may: make or do the same in such manner and to such extent as either may deem necessary to protect the security hereof. Beneficiary or Trustee being authorized to enter upon said property for such purposes; appear in and defend any action or proceeding purporting to affect the security hereof or the rights or powers of Beneficiary or Trustee; pay, purchase, contest, or compromise any encumbrance, charge, or lien which in the judgment of either appears to be prior or superior hereto; and, in exercising any such powers, pay necessary expenses, employ counsel, and pay his reasonable fees.

5. To pay immediately and without demand all sums expended by Beneficiary or Trustee pursuant to the provisions hereof, together with interest from date of expenditure at the same rate as is provided for in the note or notes secured by this Deed of Trust or at the legal rate if it secures a contract or contracts other than a promissory note or notes. Any amounts so paid by Beneficiary or Trustee shall become a part of the debt secured by this Deed of Trust and a lien on said premises or immediately due and payable at option of Beneficiary or Trustee.

IT IS MUTUALLY AGREED:

6. That any award of damages in connection with any condemnation or any such taking, or for injury to the property by reason of public use, or for damages for private trespass or injury thereto, is assigned and shall be paid to Beneficiary as further security for all obligations secured hereby (reserving unto the Trustor, however, the right to sue therefor and the ownership thereof subject to this Deed of Trust), and upon receipt of such moneys Beneficiary may hold the same as such further security, or apply or release the same in the same manner and with the same effect as above provided for disposition of proceeds of fire or other insurance.

7. That time is of the essence of this Deed of Trust, and that by accepting payment of any sum secured hereby after its due date, Beneficiary does not waive his right either to require prompt payment when due of all other sums so secured or to declare default for failure so to pay.

8. That at any time or from time to time, and without notice, upon written request of Beneficiary and presentation of this Deed of Trust and said note(s) for endorsement, and without liability therefor, and without affecting the personal liability of any person for payment of the indebtedness secured hereby, and without affecting the security hereof for the full amount secured hereby on all property remaining subject hereto, and without the necessity that any sum representing the value or any portion thereof of the property affected by the Trustee's action be credited on the indebtedness, the Trustee may: (a) release and reconvey all or any part of said property; (b) consent to the making and recording, or either, of any map or plat of the property or any part thereof; (c) join in granting any easement thereon; (d) join in or consent to any extension agreement or any agreement subordinating the lien, encumbrance, or charge hereof.

9. That upon written request of Beneficiary stating that all sums secured hereby have been paid, and upon surrender of this Deed of Trust and said note(s) to Trustee for cancellation, and upon payment of its fees, Trustee shall release and reconvey, without covenant or warranty, express or implied, the property then held hereunder. The recitals in such reconveyance of any matters or facts shall be conclusive proof of the truthfulness thereof. The grantee in such reconveyance may be described as "the person or persons legally entitled thereto."

10. That as additional security, Trustor hereby gives to and confers upon Beneficiary the right, power, and authority, during the continuance of this Trust, to collect the property income, reserving to Trustor the right, prior to any default by Trustor in payment of any indebtedness secured hereby or in performance of any agreement hereunder, to collect and retain such property income as it becomes due and payable. Upon any such default, Beneficiary may at any time, without notice, either in person, by agent, or by a receiver to be appointed by a court, and without regard to the adequacy of any security for the indebtedness hereby secured, enter upon and take possession of said property or any part thereof, in his own name sue for or otherwise collect such property income, including that past due and unpaid, and apply the same, less costs and expenses of operation and collection, including reasonable attorney's fees, upon any indebtedness secured hereby, and in such order as Beneficiary may determine. The entering upon and taking possession of said property, the collection of such property income, and the application thereof as aforesaid, shall not cure or waive any default or notice of Trustee's sale hereunder or invalidate any act done pursuant to such notice.

Initials:

ABB

ADA

11. That upon default by Trustor in the payment of any indebtedness secured hereby or in performance of any agreement hereunder, Beneficiary may declare all sums secured hereby immediately due and payable by delivery to Trustee of written notice thereof, setting forth the nature thereof, and of election to cause to be sold said property under this Deed of Trust. Beneficiary also shall deposit with Trustee this deed of Trust, said note(s), and all documents evidencing expenditures secured hereby.

Trustee shall record and give notice of Trustee's sale in the manner required by law, and after the lapse of such time as may then be required by law, subject to the statutory rights of reinstatement, the Trustee shall sell, in the manner required by law, said property at public auction at the time and place fixed by it in said notice of Trustee's sale to the highest bidder for cash in lawful money of the United States, payable at time of sale. Trustee may postpone or continue the sale by giving notice of postponement or continuance by public declaration at the time and place last appointed for the sale. Trustee shall deliver to such purchaser its Deed conveying the property so sold, but without any covenant or warranty, expressed or implied. Any persons, including Trustor, Trustee, or Beneficiary, may purchase at such sale.

After deducting all costs, fees, and expenses of Trustee and of this Trust, including cost of evidence of title in connection with sale and reasonable attorney's fees, Trustee shall apply the proceeds of sale to payment of: All sums then secured hereby and all other sums due under the terms hereof, with accrued interest; and the remainder, if any, to the person or persons legally entitled thereto, or as provided in A.R.S. 33-812. To the extent permitted by law, an action may be maintained by Beneficiary to recover a deficiency judgment for any balance due hereunder.

In lieu of sale pursuant to the power of sale conferred hereby, this Deed of Trust may be foreclosed in the same manner provided by law for the foreclosure of mortgages on real property. Beneficiary shall also have all other rights and remedies available him hereunder and at law or in equity. All rights and remedies shall be cumulative.

12. That Beneficiary may appoint a successor Trustee in the manner prescribed by law. A successor Trustee herein shall, without conveyance from the predecessor Trustee, succeed to all the predecessor's title, estate, rights, powers, and duties. Trustee may resign by mailing or delivering notice thereof to Beneficiary and Trustor, by registered or certified mail, and by recordation of a Notice of Resignation of Trustee in the office of the County Recorder in each County in which trust property or some part thereof is situated.

13. That this Deed of Trust applies to, inures to the benefit of, and binds all parties hereto, their heirs, legatees, devisees, administrators, executors, successors, and assigns. The term Beneficiary shall mean the owner and holder of the note(s) secured hereby, whether or not named as Beneficiary herein. In this Deed of Trust, whenever the context so requires, the masculine gender includes the feminine and neuter, and the singular number includes the plural.

14. That Trustee accepts this Trust when this Deed of Trust, duly executed and acknowledged, is made a public record as provided by law. Trustee is not obligated to notify any party hereto of pending sale under any other Deed of Trust or of any action or proceeding in which Trustor, Beneficiary, or Trustee shall be a party unless brought by Trustee.

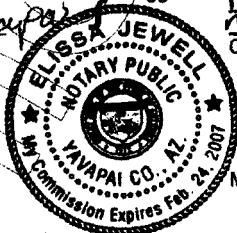
The undersigned Trustor requests that a copy of any notice of Trustee's sale hereunder be mailed to him at his address hereinbefore set forth.

MONTEZUMA RIMROCK WATER CO., L.L.C.,
An Arizona Limited Liability Company

By [Signature] Trustor
As its: Manager

STATE OF ARIZONA

County of Yavapai



This instrument was acknowledged before me this 7th day
of Nov, 2005 by
Patricia D. Arias, as its
Managing Member of MONTEZUMA RIMROCK WATER
CO., L.L.C., an Arizona Limited Liability Company

My commission will expire Feb 24 2007

[Signature] Notary Public

STATE OF ARIZONA

County of _____

This instrument was acknowledged before me this _____ day
of _____, _____ by _____

My commission will expire _____

Notary Public

ACCEPTED AND APPROVED

Beneficiary

Anna Barbara Brunner
ANNA BARBARA BRUNNER

Beneficiary

STATE OF ARIZONA
County of Yavapai

} SS

This instrument was acknowledged before
me this 27 day of October, 2006 by
ANNA BARBARA BRUNNER

[Signature]
Notary Public

My commission expires: Feb 24, 2007



"Unofficial"

Exhibit A

Lot 500, LAKE MONTEZUMA ESTATES, UNIT TWO, according to the plat of record in Book 13 of Maps, page 30, records of Yavapai County, Arizona.

EXCEPT all minerals, ores and metals of every kind and character, and all coal, asphaltum, oil, gases, fertilizers, fossils and other like substances in or under said land as reserved in Patent from the United States of America.

"UnOfficial Copy"

Exhibit 2

AFFIDAVIT OF PROPERTY VALUE

<p>1. ASSESSOR'S PARCEL IDENTIFICATION NUMBER(s) Primary Parcel: <u>405-25-517</u> BOOK MAP PARCEL SPLIT LETTER Does this sale include any parcels that are being split / divided? Check one: Yes <input type="checkbox"/> No <input checked="" type="checkbox"/> How many parcels, other than the Primary Parcel, are included in this sale? _____ Please list the additional parcels below (no more than four): (1) _____ (3) _____ (2) _____ (4) _____</p>	<p>9. FOR OFFICIAL USE ONLY: Buyer and Seller leave blank (a) County of Recordation: <u>13</u> (b) Docket & Page Number: <u>4335-428</u> (c) Date of Recording: <u>11-16-05</u> (d) Fee/Recording Number: <u>3942663</u> Validation Codes: (e) ASSESSOR _____ (f) DOR _____ ASSESSOR'S USE ONLY Verify Primary Parcel in Item 1: _____ Use Code: _____ Full Cash Value: \$ _____</p>
<p>2. SELLER'S NAME AND ADDRESS <u>ANNA BARBARA BRUNNER</u> <u>P.O. Box 20351</u> <u>Sedona, AZ 86341</u> 3. (a) BUYER'S NAME AND ADDRESS: <u>MONTEZUMA RIMROCK WATER CO., L.L.C.</u> <u>P.O. Box 10</u> <u>Rimrock, AZ 86335</u> (b) Are the Buyer and Seller related? Yes _____ No <input checked="" type="checkbox"/> If Yes, state relationship: _____</p>	<p>10. TYPE OF DEED OR INSTRUMENT (Check Only One Box): a. <input checked="" type="checkbox"/> Warranty Deed d. <input type="checkbox"/> Contract or Agreement b. <input type="checkbox"/> Special Warranty Deed e. <input type="checkbox"/> Quit Claim Deed c. <input type="checkbox"/> Joint Tenancy Deed f. <input type="checkbox"/> Other: _____</p>
<p>4. ADDRESS OF PROPERTY: <u>VACANT LAND, LAKE MONTEZUMA, AZ 86342</u> 5. MAIL TAX BILL TO: <u>MONTEZUMA RIMROCK WATER CO., L.L.C.</u> <u>VACANT LAND</u> <u>LAKE MONTEZUMA, AZ 86342</u> 6. PROPERTY TYPE (for Primary Parcel): NOTE: Check Only One Box a. <input checked="" type="checkbox"/> Vacant Land f. <input type="checkbox"/> Commercial or Industrial Use b. <input type="checkbox"/> Single Family Residence g. <input type="checkbox"/> Agriculture c. <input type="checkbox"/> Condo or Townhouse h. <input type="checkbox"/> Mobile or Manufactured Home d. <input type="checkbox"/> 2-4 Plex i. <input type="checkbox"/> Other Use; Specify: _____ e. <input type="checkbox"/> Apartment Building</p>	<p>11. SALE PRICE: \$ <u>35,000.00</u> 12. DATE OF SALE (Numeric Digits): <u>10</u> / <u>2005</u> Month Year (For example: 03 / 05 for March 2005) 13. DOWN PAYMENT: \$ <u>3,000.00</u> 14. METHOD OF FINANCING: e. <input type="checkbox"/> New loan(s) from financial institution: (1) <input type="checkbox"/> Conventional (2) <input type="checkbox"/> VA (3) <input type="checkbox"/> FHA f. <input type="checkbox"/> Other financing; Specify: _____ a. <input type="checkbox"/> Cash (100% of Sale Price) b. <input type="checkbox"/> Exchange or Trade c. <input type="checkbox"/> Assumption of existing loans d. <input checked="" type="checkbox"/> Seller Loan (Carryback)</p>
<p>7. RESIDENTIAL BUYER'S USE: If you checked b, c, d or h in Item 6 above, please check <u>one</u> of the following: <input type="checkbox"/> To be occupied by owner or "family member." <input type="checkbox"/> To be rented to someone other than family member. See reverse side for definition of a "family member." 8. NUMBER OF UNITS: _____ For Apartment Properties, Motels, Hotels, Mobile Home Parks, RV Parks, Mini-Storage Properties, etc.</p>	<p>15. PERSONAL PROPERTY (see reverse side for definition): (a) Did the Sale Price in Item #11 include Personal Property that impacted the Sale Price by 5% or more? Yes _____ No <input checked="" type="checkbox"/> (b) If Yes, provide the dollar amount of the Personal Property: \$ _____ 00 AND Briefly describe the Personal Property: _____ 16. PARTIAL INTEREST: If only a partial ownership interest is being sold, Briefly describe the partial interest: _____ 17. PARTY COMPLETING AFFIDAVIT (Name, Address, Phone): <u>YAVAPAI TITLE AGENCY, INC.</u> <u>527 S. Main St., Camp Verde, AZ 86322</u> <u>Phone (928) 597-0690</u> 18. LEGAL DESCRIPTION (attach copy if necessary): <u>See Exhibit A attached hereto and made a part hereof.</u></p>

THE UNDERSIGNED BEING DULY SWORN, ON OATH, SAYS THAT THE FOREGOING INFORMATION IS A TRUE AND CORRECT STATEMENT OF THE FACTS PERTAINING TO THE TRANSFER OF THE ABOVE DESCRIBED PROPERTY.

Signature of Seller/Agent Anna Barbara Brunner
 State of Arizona, County of Navajo
 Subscribed and sworn to before me this 16 day of November, 2005
 Notary Public Elissa Jewell
 Notary Expiration Date Feb 24, 2007

Signature of Buyer/Agent Michael J. ...
 State of Arizona, County of Navajo
 Subscribed and sworn to before me this 16 day of November, 2005
 Notary Public Elissa Jewell
 Notary Expiration Date Feb 24, 2007

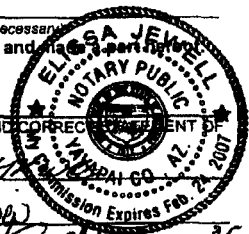
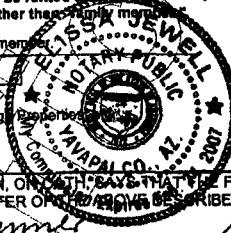


Exhibit A

Lot 500, LAKE MONTEZUMA ESTATES, UNIT TWO, according to the plat of record in Book 13 of Maps, page 30, records of Yavapai County, Arizona.

EXCEPT all minerals, ores and metals of every kind and character, and all coal, asphaltum, oil, gases, fertilizers, fossils and other like substances in or under said land as reserved in Patent from the United States of America.

"UnOfficial Copy"

Exhibit 3

DUPLICATE TAX BILL

2010 PROPERTY TAX NOTICE

ARIZONA

BOOK	PARCEL # MAP	PARCEL	AREA CODE	PRIMARY TAX RATE PER \$100 ASSESSED VALUE	SECONDARY TAX RATE PER \$100 ASSESSED VALUE	IRRIGATION DISTRICT \$ PER ACRE		
405-25-517	2		02690	5.7819	3.8528			
							PRIMARY PROPERTY TAX	220.94
							LESS STATE AID TO EDUCATION	.00
							NET PRIMARY PROPERTY TAX	220.94
							SECONDARY PROPERTY TAX	240.40
							SPECIAL DISTRICT TAX	.00
							TOTAL TAX DUE FOR 2010	461.34

0120502

4845 E TEVANN LN RIMROCK

LAKE MONTEZUMA ESTATES UNIT #2 LOT 500

Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305

**THIS IS A
CALENDAR YEAR
TAX NOTICE**

JURISDICTION	2009 TAXES	2010 TAXES
11213 MONTEZUMA-RIMROCK F.D.	135.64	163.40
05026 BEAVER CREEK ELEM.S.D.#26	100.06	151.94
08150 YAVAPAI COMMUNITY COLLEGE	42.45	55.78
02000 YAVAPAI COUNTY	38.73	51.68
02001 SCHOOL EQUALIZATION	9.97	13.62
15001 YAVAPAI FLOOD CONTROL DISTRICT	10.75	12.44
14900 YAVAPAI CTY. LIBRARY DISTRICT	6.34	7.41
11900 FIRE DIST. ASSIST. FUND	4.62	5.07

TOTALS 348.56 461.34

MONTEZUMA RIMROCK WATER CO LLC
PO BOX 10
RIMROCK

AZ 86335

THERE WILL BE A CHARGE FOR EACH RETURNED CHECK
AND YOUR TAXES WILL REVERT TO AN UNPAID STATUS.

PLEASE INCLUDE YOUR
PARCEL NUMBER
ON YOUR CHECK.

PAYMENT INSTRUCTIONS

To pay the 1st half installment and full year tax notices of \$100 or less, send the coupon below with your payment postmarked no later than Nov. 1, 2010. To pay the 2nd half installment, send the coupon below with your payment postmarked no later than May 2, 2011. To pay taxes for the full year if the entire amount billed per notice exceeds \$100, send the coupon below with your payment postmarked no later than Jan. 3, 2011 and no interest will be charged for current year.

Make your check payable to and mail to:
Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305

DETACH AND RETURN WITH PAYMENT

Payment in U.S. FUNDS ONLY

Make check payable to:

Ross D. Jacobs, Yavapai County Treasurer

2010 TAX PAYMENT COUPON

MONTEZUMA RIMROCK WATER CO LLC

405-25-517 2 0120502

Delinquency Date First Half Payment

Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. November 1, 2010 (ARS 42-18052 and 42-18053).

Delinquency Date Second Half Payment

Penalty for late payment is 16% per year prorated monthly as of the 1st day of the month for payments postmarked after 5:00 P.M. May 2, 2011 (ARS 42-18052 and ARS 42-18053.)

Any total property tax notice of \$100 or less must be paid in full no later than November 1, 2010 at 5:00P.M.

Remit one full year payment for billed amounts over \$100 by Jan. 3, 2011 and no interest will be charged for current year.

TO PAY 1ST HALF ONLY (DUE OCT 1, 2010)	PAY \$	230.67
TO PAY 2ND HALF ONLY (DUE MAR 1, 2011)	PAY \$	230.67
TO PAY FULL YEAR TAX (IF PAID BY DEC 31, 2010)	PAY \$	461.34

Ross D. Jacobs, Yavapai County Treasurer
Yavapai County Treasurer's Office
1015 Fair Street
Prescott, AZ 86305

4052551702

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-04254A

m

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

RECEIVED

APR 13 2009

ARIZONA CORP COMMISSION
Director, Utilities

ANNUAL REPORT
WATER

FOR YEAR ENDING

12	31	2008
----	----	------

FOR COMMISSION USE

ANN 04	08
--------	----

PROCESSED BY:

4-13-09

SCANNED

COMPANY NAME Montezuma Rimrock Water Company LLC

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$	\$
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	10,321	7,712
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities	650	976
	TOTAL CURRENT LIABILITIES	\$ 10,971	\$ 8,689
	LONG-TERM DEBT (Over 12 Months)		
⇒ 224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	29,605	29,511
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	114,281	104,711
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 143,866	\$ 113,460
	TOTAL LIABILITIES	\$ 154,856	\$ 142,971
	CAPITAL ACCOUNTS		
201	Common Stock Issued	\$	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<37,724>	<47,376>
218	Proprietary Capital (Sole Props and Partnerships)	109,891	107,968
	TOTAL CAPITAL	\$ 72,167	\$ 60,592
	TOTAL LIABILITIES AND CAPITAL	\$ 227,023	\$ 203,563

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End

\$ 24,758

Meter Deposits Refunded During the Test Year

\$ 3,097

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

M

W-04254A

Montezuma Rimrock Water Company, LLC

P.O. Box 10

Rimrock, AZ 86335

RECEIVED

APR 14 2010

AZ CORP COMM
Director Utilities

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2009
----	----	------

FOR COMMISSION USE

ANN 04	09
--------	----

4-19-10 Lhm

COMPANY NAME Montezuma Rimrock Water Company LLC

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 0	\$ 1909
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	7712	19341
236	Accrued Taxes		
237	Accrued Interest	976	
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 8689	\$ 21,250
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	29511	65327
255	Accumulated Deferred Investment Tax Credits	104771	281777
271	Contributions in Aid of Construction		<72508>
272	Less: Amortization of Contributions		
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 113,460	\$ 274,596
	TOTAL LIABILITIES	\$ 142,971	\$ 295,846
	CAPITAL ACCOUNTS		
201	Common Stock Issued 2007 Rate Case Adjustments	\$ 0	\$ <106,946>
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<47376>	<2552>
218	Proprietary Capital (Sole Props and Partnerships)	107,968	108,705
	TOTAL CAPITAL	\$ 60,592	\$ <793>
	TOTAL LIABILITIES AND CAPITAL	\$ 203,563	\$ 295,053

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA

Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 24,111

Meter Deposits Refunded During the Test Year \$ 3,047

Exhibit 5

ARIZONA CORPORATION COMMISSION
UTILITIES DIVISION

ANNUAL REPORT MAILING LABEL - MAKE CHANGES AS NECESSARY

W-04254A

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

ANNUAL REPORT
Water

FOR YEAR ENDING

12	31	2010
----	----	------

FOR COMMISSION USE

ANN 04	10
--------	----

4-14-11

COMPANY NAME Montezuma Rimrock Water Company, LLC

BALANCE SHEET (CONTINUED)

Acct. No.		BALANCE AT BEGINNING OF YEAR	BALANCE AT END OF YEAR
	LIABILITIES		
	CURRENT LIABILITIES		
231	Accounts Payable	\$ 1909	\$ 2000
232	Notes Payable (Current Portion)		
234	Notes/Accounts Payable to Associated Companies		
235	Customer Deposits	19341	26855
236	Accrued Taxes		
237	Accrued Interest		
241	Miscellaneous Current and Accrued Liabilities		
	TOTAL CURRENT LIABILITIES	\$ 21250	\$ 27055
	LONG-TERM DEBT (Over 12 Months)		
224	Long-Term Notes and Bonds	\$	\$ 28611
	DEFERRED CREDITS		
251	Unamortized Premium on Debt	\$	\$
252	Advances in Aid of Construction	65327	28575
255	Accumulated Deferred Investment Tax Credits		
271	Contributions in Aid of Construction	281777	252556
272	Less: Amortization of Contributions	<72508>	<73388>
281	Accumulated Deferred Income Tax		
	TOTAL DEFERRED CREDITS	\$ 274596	\$ 207743
	TOTAL LIABILITIES	\$ 295846	\$ 263209
	CAPITAL ACCOUNTS		
201	Common Stock Issued 2007 Rate Case Adjustments	\$ <106,946>	\$
211	Paid in Capital in Excess of Par Value		
215	Retained Earnings	<2552>	4712
218	Proprietary Capital (Sole Props and Partnerships)	108705	40444
	TOTAL CAPITAL	\$ <793>	\$ 45156
	TOTAL LIABILITIES AND CAPITAL	\$ 295,053	\$ 310,365

COMPANY NAME Montezuma Rimrock Water Company LLC

SUPPLEMENTAL FINANCIAL DATA
Long-Term Debt

	LOAN #1	LOAN #2	LOAN #3	LOAN #4
Date Issued				
Source of Loan				
ACC Decision No.				
Reason for Loan				
Dollar Amount Issued	\$	\$	\$	\$
Amount Outstanding	\$	\$	\$	\$
Date of Maturity				
Interest Rate	%	%	%	%
Current Year Interest	\$	\$	\$	\$
Current Year Principle	\$	\$	\$	\$

Meter Deposit Balance at Test Year End \$ 20,372

Meter Deposits Refunded During the Test Year \$ 3,189

928 567-1414
5280 Bentley Dr., Rimrock, Arizona 86335

Yavapai County Water Well Code requirements:

Reg. 1-2-203 Minimum Distance Requirements

A. Property Boundary Setbacks

No well shall be approved for construction in a location less than 50' from the property boundaries of the parcel on which the well is proposed for construction, except as provided for below:

1. For a parcel that abuts a dedicated roadway upon which the public has the right of travel, the 50' property boundary setback shall be measured from the center of the area dedicated for roadway.
2. For a parcel that abuts a railway, the 50' property boundary setback shall be measured from the center of the area dedicated for railway.
3. No property boundary setback shall be required for a parcel that abuts an area served by a sewer system provided that:
 - (A) all habitable structures are serviced by the sewer system, and
 - (B) all future development of the area is required to be served by the sewer system.
4. Waiver is obtained from abutting property owners establishing a legally enforceable easement and right of encroachment into all or part of the abutting property boundary setback. Where abutting property owners have agreed to not locate a septic system within 100' of the proposed well, the property boundary setback requirement may be reduced to 0'. The exact amount by which the property boundary is reduced from 50' is dependent upon maintaining 100' separation between the well and any current or future septic system. The abutting property owner agreement must be recorded in the official records of the County.

Exhibit 7

YAVAPAI COUNTY

Development Services

Prescott Office -

500 S. Marina Street, Prescott, AZ 86303
(928) 771-3214 Fax: (928) 771-3432



Cottonwood Office -

10 S. 6th Street, Cottonwood, AZ 86326
(928) 639-8151 Fax: (928) 639-8153

Addressing - Building Safety - Customer Service & Permitting - Environmental - Land Use - Planning

April 5, 2011

Montezuma Rimrock Water Co LLC
Patricia D. Olsen
PO Box 10
Rimrock, AZ 86335

RE: Well #4 Use Permit Administrative Extension on APN#405-25-517 HA#H9139

Dear Patricia Olsen:

This letter is being written to notify you of the administrative extension of your approved Use Permit, hearing application number HA# H9139, for the period of one (1) year to get the well online of the Montezuma Rimrock Water Company Well #4 in order to obtain a Certificate of Compliance to expire on April 5, 2012. The Board of Supervisors approved your request to construct a well site to service the Montezuma Rimrock Water Company on March 15, 2010.

Stipulation number 5 of the approval states "Certificate of Compliance to be issued within one year of Board of Supervisors approval demonstrating that the use is operating in compliance with all applicable local, state and federal regulations". According to our records the water company is still working to get the well site operational.

If you have any questions or concerns please feel free to contact me.

Sincerely,

Tammy DeWitt, Planner
Yavapai County Development Services
Planning and Design Review
Phone (928) 639-8151 Fax (928) 639-8153
E-mail: Tammy.DeWitt@co.yavapai.az.us

ORIGINAL

C-EX95

FENNEMORE CRAIG
A Professional Corporation
Todd C. Wiley (Bar No. 015358)
3003 North Central Avenue
Suite 2600
Phoenix, Arizona 85012-2913
Telephone: (602) 916-5000

RECEIVED
AZ CORP COMMISSION
DOCKET CONTROL

2012 APR 13 PM 1:10

Arizona Corporation Commission

DOCKETED

APR 13 2012

Attorneys for Montezuma Rimrock Water Company, LLC

DOCKETED BY

MM

BEFORE THE ARIZONA CORPORATION COMMISSION

IN THE MATTER OF THE APPLICATION
OF MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE

DOCKET NO. W-04254A-08-0361

IN THE MATTER OF THE APPLICATION
OF MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION

DOCKET NO. W-04254A-08-0362

NOTICE OF FILING

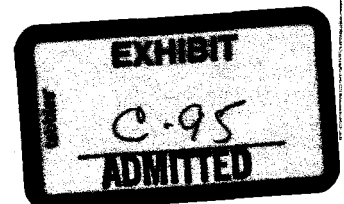
In accordance with the Procedural Order dated April 9, 2012, Montezuma Rimrock Water Company, LLC files the following documents: (1) Water Services Agreement between the Company and Ms. Olsen dated March 16, 2012 (attached as Exhibit 1); (2) Terms and Conditions of Lease between Ms. Olsen and Nile River Leasing dated March 16, 2012 (attached as Exhibit 2); and (3) Contract for Arsenic Treatment System between Ms. Olsen and Kevlor Design Group dated February 28, 2012 (attached as Exhibit 3). These documents were previously filed with Docket Control on March 19, 2012.

RESPECTFULLY SUBMITTED this 13th day of April, 2012.

FENNEMORE CRAIG

By

Todd C. Wiley
3003 North Central, Suite 2600
Phoenix, AZ 85012
Attorneys for Montezuma Rimrock Water
Company, LLC




1 ORIGINAL and 13 copies
2 of the foregoing was filed
3 this 13th day of April, 2012 with:
4 Docket Control
5 Arizona Corporation Commission
6 1200 West Washington Street
7 Phoenix, Arizona 85007
8 COPY of the foregoing
9 was hand-delivered this 13th
10 day of April, 2012, to:
11 Charles Hains
12 Legal Division
13 Arizona Corporation Commission
14 1200 W. Washington St.
15 Phoenix, AZ 85007
16 Steven M. Olea
17 Arizona Corporation Commission
18 1200 W. Washington St.
19 Phoenix, AZ 85007
20 A COPY of the foregoing
21 was mailed/emailed this 13th
22 day of April, 2012, to:
23 Douglas C. Fitzpatrick
24 LAW OFFICE OF DOUGLAS C. FITZPATRICK
25 49 Bell Rock Plaza
26 Sedona, AZ 86351
fitzlaw@sedona.net
Attorney for Montezuma Rimrock Water
Company, LLC
Patricia Olsen
MONTEZUMA RIMROCK WATER COMPANY, LLC
P.O. Box 10
Rimrock, AZ 86335
patsy@montezumawater.com
John Dougherty
P.O. Box 501
Rimrock, AZ 86335
jd.investigativemedia@gmail.com

6921376

EXHIBIT 1

WATER SERVICES AGREEMENT

THIS WATER SERVICES AGREEMENT ("Agreement"), entered into as of the latest of the dates shown opposite the signatures of the Parties to this Agreement, is made by and between Patricia D. Olsen ("Olsen"), a Certified Operator (#20172) and Montezuma Rimrock Company LLC, an Arizona Corporation ("Company") (Patricia Olsen and Company are sometimes hereinafter referred to collectively as the "Parties" and individually as "Party").

RECITALS

A. Company's Wells No. 1 and No. 4 currently produce groundwater containing arsenic ("the Contaminant") in excess of 10 micrograms per liter. The wells are located on real property depicted on Exhibit "A": attached hereto.

B. Olsen represents that it possesses the requisite skill, expertise, technology, and solutions to install Facilities (described in Exhibit "B" attached hereto) to treat groundwater containing the Contaminant (the "Facilities"), so as to enable Company to supply water from the Wells No. 1 and No. 4 that will not exceed 9 micrograms per liter of the Contaminant.

C. Olsen represents that it has the requisite skill, expertise, and qualifications to properly operate the Facilities consistent with prudent water utility operating standards, practices and procedures, and all applicable regulatory requirements.

D. This Agreement sets forth the terms and conditions under which Olsen will construct, install, maintain and own the Facilities to treat water produced from the Wells and properly dispose of all waste derived therefrom.

NOW THEREFORE, in consideration of the mutual covenants contained in this Agreement, and for other good and valuable consideration, the receipt and adequacy of which are hereby acknowledged, the Parties hereto agree as follows:

1. Treatment

1.1 Facilities

1.1(a) Olsen shall install, maintain and own the Facilities to treat the water produced by the Wells as provided in this Agreement.

1.1(b) The Facilities shall be capable of treating 150 gallons per minutes of water from Wells No. 1 and No. 4, as specified in the facility description in Exhibit B.

1.1 (c) The Facilities shall be capable of operating at a maximum operating pressure of 150 psig.

1.1 (d) On the Start-up Date, as defined in Section 7, Olsen shall operate the Facilities consistent with prudent water utility operating standards, practices and procedures, and all applicable regulatory requirements.

2. Term

2.1 Duration of Agreement. This Agreement shall commence on the date the Parties enter into this Agreement and shall continue for a period of 20 years from the Start-up Date (the "Term") unless this Agreement is earlier terminated pursuant to Section 15 below. At the end of the Term, Company shall have the option to purchase the Facilities for cash to be paid within thirty days from the expiration of the Term. Such option shall be exercised by notice given by Company to Olsen no later than sixty days prior to expiration of the Term.

2.2 Term Year. As used herein a "Term Year" is a period of twelve (12) months commencing on the Start-up Date, and ending on the day immediately preceding the anniversary of the Start-up Date.

3. Construction and Installation of the Facilities

3.1 Olsen's Obligations. Olsen shall construct and install the Facilities in accordance with generally accepted engineering standards so as to reduce the Contaminant from the wells to comply with the water quality specification as defined in Section 4 below. Olsen shall perform all services under this Agreement in a skillful and competent manner, consistent with the standards generally recognized as being employed by professionals in the same discipline in the State of Arizona and in compliance with all applicable federal, state and local statutes, laws, regulations, codes and local ordinances (collectively "Laws"). Provided Company first installs the improvements described in Section 3.2 of this Agreement that are required for operation of the Facilities, Olsen shall install the Facilities and cause them to be ready for performance testing no later than sixty (60) days thereafter. Olsen shall be responsible for all costs and expenses necessary to construct, and install the Facilities to treat the water produced by the wells to comply with the water quality specification. Olsen will perform all necessary water tests and other tests and investigations in connection with construction and installation of the Facilities. Olsen may store equipment or materials on Company's real property where Well No. 1 is located during installation of the Facilities, provided that such storage does not interfere with Company's operations and complies with all laws. The risk of loss of all stored equipment and materials and work in progress shall remain with Olsen and Olsen agrees to remove all such equipment and materials no later than thirty (30) days after the Start-up Date. Olsen agrees that Company shall not be required to provide any security for stored equipment and materials and work in progress in addition to the current fencing around the well site.

3.2 Company's Obligations. Company shall provide Olsen with: (a) all water quality data Company has for the influent water which Olsen reasonably requests as necessary for the construction, and installation of the Facilities; (b) all construction information the Company has concerning the well that Olsen reasonably requests as necessary for Olsen to design the

connection of the Facilities to the Well and from the Facilities to Company's water distribution system; (c) all external electrical equipment required to operate the Facilities (the capital cost of acquisition and installation of such equipment to be born solely by Company; (d) the license described in section 17 hereof; (e) directly or indirectly, all electrical powered required by Olsen to install the Facilities ; (f) the real property on which Olsen will install the Facilities, as depicted on Exhibit A; and (g), after issuance of ADEQ's Approval of Construction to use water treated by the Facilities, Company's written notice of acceptance of the Facilities. Olsenr shall not proceed with any work which is or could be affected by discrepancies, omissions or inaccuracies in the data provided by Company or obtained independently by Olsen until all such discrepancies, omission, or inaccuracies have been resolved by written Agreement of the parties and no change order or extra cost reimbursement for the affected work will be permitted without such Agreement of the parties.

3.3 Verification rights. Each party shall have the right to verify, at its own expense, the amount and quality of the water entering and exiting the Facilities and to conduct independent testing thereof. Olsen shall monitor the operation of the Facilities to assure proper operation and performance of the Facilities and advise Company of the results of the monitoring.

4. Water Quality. After Olsen's installation of the Facilities, the Facilities shall reduce the level of the contaminant in the water produced by the Well connected to the Facilities to comply with the Treated Water Arsenic Limitation in *Exhibit "C"* attached hereto (the "Water Quality Specification"). No less frequently than annually, Company shall provide Olsen with annual reports describing influent water quality. Company shall bear the cost of complying with changes in water quality standards that require reduction of the contaminant to levels less than the water quality Specification.

5. Payments. Company shall pay Olsen the fees and charges set forth in Section 7 below for all water produced by Company and treated by the Facilities which complies with the Water Quality Specification irrespective of whether such water complies with water quality standards for constituents other than the Contaminant.

6. Measurement. Water treated pursuant to this Agreement which complies with the Water Quality Specification shall be measured each month by Olsen at the point of connection between Company's water distribution system and the Facilities. The Parties shall be bound by the measurements of the water meter at such point.

7. Treatment fees. Beginning on the later of: (a) the date that ADEQ gives Company an Approval of Construction to use the water treated by the Facilities, or (b) the date that the Facilities continuously and consistently treat water that complies with the Water Quality Specification for seven (7) consecutive days shall be called the Start-up Date. The parties shall execute a supplement to this Agreement specifying and acknowledging the Start-up Date, and Company shall commence paying the following treatment fees to Olsen:

7.1 Monthly Standby Fee. A standby fee of one thousand five hundred dollars (\$1,500) per month representing recovery of the cost of constructing the Facilities (the "Monthly Standby Fee").

7.2 Per Acre Foot Treatment Fee. For each acre foot of water treated by the Facilities that complies with the Water Quality Specification, measured as provided in section 6 above, a treatment fee representing four categories of operating and maintenance cost categorized as : (i) media replacement or regeneration costs; (ii) media replacement or regeneration service costs; and (iii) waste media or regeneration disposal costs; and (iv) other operation and maintenance costs totaling four hundred dollars (\$400.00) per acre foot (the "Per Acre Foot Treatment fee"). The four categories of costs making up the Per Acre Foot Treatment Fee are shown in *Exhibit "G"*.

7.3 Additional Treatment Fee. Company intends to deliver for processing and treatment at the Facilities up to forty-two (42) acre feet per year of water from the wells in each Term year (the "Base Quantity"). If: (a) Company delivers more than the Base Quantity for processing and treatment in any Term Year, and (b) the Facilities treat more than the Base Quantity in any Term Year, then the additional Treatment Fee for each such acre foot in excess of the Base Quantity that complies with the Water Quality Specification shall be four hundred dollars (\$400.00) per acre foot in such Term Year (the "Additional Treatment Fee"). The four categories of costs making up the additional Treatment Fee are show in *Exhibit "G"*.

7.4 Adjustment for Increase of Influent Arsenic Concentration. The Per Acre Foot Treatment Fee and Additional Treatment Fee are based on the Influent Arsenic Concentration in Exhibit D attached hereto. If, after the Start-up Date, the Influent Arsenic Concentration increases above the level in Exhibit D, the Per Acre Foot Treatment Fee and Additional Treatment Fee shall be adjusted if Olsen reasonably demonstrates to Company that Olsen has experienced higher treatment costs caused solely by such increase in Influent Arsenic Concentration.

7.5 Adjustment for Changes in Water Quality Specification. The Per Are Foot Treatment Fee and the Additional Treatment Fee are based in part on the Water Quality Specification. If the Water Quality Specification is changed during the Term, the Per Acre Foot Treatment Fee and the Additional Treatment Fee shall be adjusted if Olsen reasonably demonstrates to Company that Olsen has experienced higher or lower treatment costs caused solely by such change.

7.6 Adjustment for CPI . The Per Acre Foot Treatment Fee and the Additional Treatment Fee shall be adjusted by Olsen in its invoices to Company no sooner than the first day of any month that is at least twelve (12) months beyond the Start-up Date, and on the first day of such month in any Term Year thereafter, by the percentage change, if any, reflected in the consumer price index published by the United States Department of Labor, Bureau of Labor Statistics for all Urban Consumers, all Cities Index ("CPI-U") for the twelve (12) months preceding such change.

7.8 Suspension of Payments. Company shall be entitled to suspend the payment of all treatment fees (including the Monthly Standby Fee, which will be prorated during any month in

which a suspension of payments occurs) for a period of time starting with any day during which the Facilities fail to treat water from Well No. 1 and Well No. 4 to comply with the Water Quality Specification, and continuing until such time as the Facilities again treat water from Wells No. 1 and No. 4 to comply with the Water Quality Specification all as verified to Company's satisfaction by water quality testing procedures. Notwithstanding the provisions of Section 20.5 of this Agreement, Olsen agrees that, upon notice from Company that the Facilities have failed to treat water from the well to comply with the Water Quality Specification, Olsen will immediately take all action necessary to promptly remedy such failure.

8. Invoices. Olsen shall invoice Company within ten (10) days of the last day of the month beginning with the month of the Start-up Date. The invoice shall be substantially in the form provided in *Exhibit "E"* hereto and shall state the amount of water treated during that month, measured in accordance with Section 6 above, multiplied by the Per Acre Foot Treatment Fee and the Additional Treatment Fee, if applicable. Within thirty (30) days following Company's receipt of such invoice, Company shall, less Company's deduction for any amount of such invoice that is the subject of a dispute as set forth in Section 9(a), below, make payment to Olsen at the address on the invoice. Company and Olsen shall cooperate to effect meter reading, billing, and payments to maximize efficiency.

9. Delinquent Payments. Any invoice under this Agreement that is not paid within thirty (30) days after Company's receipt thereof shall bear interest at the lesser of twelve percent (12%) per annum or at the maximum rate permitted by law, from the date due until payment is received by Olsen. If Company fails to pay Olsen for water treated in accordance with this Agreement within one hundred twenty (120) days after receipt of the invoice, Olsen may terminate this Agreement, shut down or remove the Facilities, and receive a lump sum payment from Company of the present value of the remaining Monthly Standby Fees that would otherwise be owed to Olsen had the Agreement been completed through the Term; provided, however, that if a bona fide dispute exists between Company and Olsen, then Olsen shall not terminate this Agreement so long as: (a) Company has paid the undisputed portion of any amount due, and (b) the Parties are negotiating in good faith, are submitting to arbitration, or taking legal action to resolve the dispute.

10. Operation, Maintenance, and Repairs.

10.1 Operation. On and after the Start-up Date Olsen shall be solely responsible for operating the Facilities as required by law and in accordance with the permits (as defined in Section 12 below). The ongoing electrical usage costs, including any electrical costs related to the pumps or booster stations shall be borne by Company. Olsen shall be responsible for all other operating costs of the Facilities, including without limitation, salt to treat water from Well No. 1 and Well No. 4 and disposal of brine and other waste as set forth in section 10.4 below, but excluding any cost or expense relating to Company's operating or managerial personnel or related overhead.

10.2 Maintenance and Repairs. Olsen shall be solely responsible for, and, at its sole expense, shall promptly and diligently perform according to industry standards, all maintenance, repairs, and replacements as necessary to maintain the Facilities in good condition.

10.3 Third-Party Contracts. At its option, Olsen may contract with third parties to perform routine operational activities and maintenance of the Facilities under Olsen's direction supervision. If Olsen desires to enter into such a contract with Company, then, as a condition thereto and in recognition of the proprietary nature of the Facilities, Company agrees to execute Olsen's standard confidentiality and non-disclosure Agreement subject to Company's right to first review and propose revisions to said Agreement. Company shall allow Olsen's third party contractor reasonable access to the Facilities only after (a) adequate advance notice thereof to Company from Olsen, and (b) Company's issuance of written consent thereto.

10.4 Waste. Olsen shall be solely responsible at its sole expense, for properly and lawfully disposing of brine and all other waste incidental to the operation of the Facilities, including, but not limited to, the disposal of all hazardous waste (as defined under all applicable federal, state and local statutes and/or regulations) associated with or derived from the treatment of water from Wells No. 1 and No. 4 under this Agreement, such disposal to be in compliance with all applicable laws. Olsen shall defend Company (through counsel approved by Company) in any criminal, civil or administrative proceeding and indemnify Company against and hold it harmless from all claims, demands, penalties, fines, liabilities, losses and costs (including without limitation attorneys, paralegals' and experts' fees and costs (collectively, "Claims") arising out of or related to Olsen's acts or omissions or the acts or mission of Olsen's agents, contractors and/or employees in the handling, transportation or disposal of such brine and other waste including, but not limited to, the disposal of all hazardous waste (as defined under all applicable federal, state and local statutes and/or regulations) associated with or derived from the treatment of water from Wells No. 1 and No. 4 under this Agreement. Olsen may request assistance from others in such disposal and shall be responsible for the acts or omissions of all such others, including, but not limited to its contractors, agents and employees.

11. Security; Insurance.

11.1 Facilities. Olsen agrees that the only security Company shall be obligated to provide for the Facilities is the current fencing around the well site.

11.2 Insurance

11.2.1 Coverage by Company. Company shall maintain at its sole expense, commercial general liability insurance with limits of not less than \$500,00 per occurrence and in the aggregate.

11.2.2 Coverage by Olsen. With respect to Olsen's activities under this Agreement, Olsen shall maintain or cause to be maintained, and shall provide or cause to be provided, with

evidence thereof to Company, property insurance coverage for the Facilities in an amount equal to or exceeding the replacement costs thereof.

12. Permits and Authorizations. Olsen and Company shall cooperate and use good faith efforts to obtain all permits, consents, entitlements, and approvals required under any of the Laws as of the Start-up Date, including without limitation any and all environmental permits (collectively the "Permits") necessary to enable Olsen to construct, install, maintain, own and, before the Start-up Date and during any suspension period under paragraph 7.8 above, operate the Facilities to treat water produced from Wells No. 1 and No. 4 to comply with the Water Quality Specification. Accordingly, Olsen and Company shall (a) jointly pursue, and support each other in obtaining, the permits necessary to initiate timely installation and operation of the facilities; (b) make timely application for such Permit, except for the Application for Approval of Construction which Olsen shall prepare and file with the Arizona Department of Environmental Quality, with Company's cooperation and support, as necessary, and (c) cooperate with each other in implementing the terms of this Agreement and achieving its objectives. All costs and expenses of the activities required under this section 12 shall be the responsibility of Olsen. Any permit, consent, entitlement, or approval necessary to operate the Facilities shall be issued in Company's name.

13. Time for Performance. Subject to Sections 14 and 19.18 below, Olsen and Company shall perform their respective obligations under this Agreement in a diligent, prompt, timely and professional manner and in accordance with the performance schedule attached hereto as Exhibit "F".

14. Early Termination

14.1 Company's Termination Options.

14.1.1 Failure to Obtain Permits. If for any reason other than a delay caused by Company or by a force majeure event (as defined in section 19.18 below) if all requisite permits have not been secured and Olsen has not been able to install the Facilities to treat the water so that it complies with the Water Quality Specification within sixty (60 days) after the last day of the performance schedule (the "Performance Deadline"), then Company, at its option, upon written notice to Olsen may terminate this Agreement and Company and Olsen shall each have no further responsibilities to the other party under this Agreement and each shall bear its own expenditures and out of pocket costs incurred up to then in connection with this Agreement.

14.1.2 Change in Water Quality Specification. If, before the issuance of the permits, a Water Quality Specification lower than as set forth in Exhibit C is required for any reason not caused by Company, Company at its option, upon written notice to Olsen may terminate this Agreement, and Company and Olsen shall each have no further responsibilities to the other Party under this Agreement and each shall bear its own expenditures and out of pocket costs incurred up to then in connection with this Agreement.

15. Expiration of Agreement. Upon expiration of this Agreement, Company shall purchase from Olsen the Facilities for the sum of one dollar (\$1.00), provided Company has not exercised its option to purchase the Facilities in accordance with the terms in accordance with the terms Paragraph 2(2.1). Olsen shall coordinate the final purchase Company.

16. License to Enter. Effective with the Parties' execution of this Agreement, Company gives Olsen license for permission to use Company's property as mutually agreed to be necessary to install and maintain the Facilities. If Olsen so requests, the license shall be formalized by a separate written instrument consistent with the scope of the license set forth above and in Company's customary form. Such license can only be revoked upon termination of this Agreement.

17. Representations and Warranties.

17.1 Representations and Warranties of Company. Company makes the following representations, warranties, and covenants to Olsen:

17.1.1 Power and Authority to Execute and Perform this Agreement. Company has the right, power, and authority to enter into this Agreement and perform its obligations hereunder, and the person executing this Agreement on behalf of Company has the right, power, and authority to do so.

17.1.2 Enforceability. This Agreement constitutes a legal, valid, and binding obligation of Company, enforceable against Company in accordance with its terms.

17.1.3 Operational Capabilities. Upon completion of installation of the Facilities and for the Term of this Agreement, Olsen will maintain its certification (#20172) so as to properly operate the Facilities in an efficient manner and deliver water to the Facilities for treatment.

17.2 Representation of Warranties of Olsen. Olsen makes the following representations, warranties, and covenants to Company:

17.2.1 Power and Authority to Execute and Perform this Agreement. Olsen has the right, power, and authority under this Agreement to perform its obligations hereunder, and the person executing this Agreement on behalf of Olsen has the right, power, and authority to do so.

17.2.2 Enforceability. This Agreement constitutes a legal, valid, and binding obligation of Olsen, enforceable against Olsen in accordance with its terms.

17.2.4 No Conflict. The execution, delivery, and performance of this Agreement by Olsen will not breach or constitute a default under, or grounds for the acceleration of maturity of, any Agreement, indenture, or undertaking or other instrument to which Olsen is a party or by which Olsen or any of its property may be bound or affected and does not constitute a breach or default under any law, regulation, ruling, or court order.

18. Taxes. Olsen shall not be liable for taxes and governmental charges of any kind whatsoever that may at any time be assessed or levied against, or with respect to, the use, possession, occupation, and/or ownership of any property, or part thereof, involved in the implementation of this Agreement (including, but not limited to, Wells No. 1 and No. 4, the Facilities, and the real property where Well No. 1 and No. 4 and the Facilities are located and where Olsen will have a license to enter pursuant to section 17 above), or any and all general or special taxes, fees, assessment, and/or charges made by any governmental body for any improvement made to such property, or part thereof, and/or for any services or activities performed hereunder. If Olsen is assessed any such taxes, fees, assessments, or charges, said sums shall either be paid by Company within thirty days after receipt of an invoice therefor from Olsen, or, at its option, Company may contest any such assessment in the manner Company deems appropriate, provided that Company will remain ultimately responsible for the payment of any such assessments.

19. Miscellaneous Provisions.

19.1 Further Assurances. At any time and from time to time after the date hereof, the Parties agree to take such actions and to execute and deliver such documents as the other Party may reasonably request to effectuate the purposes of this Agreement.

19.2 Assignment. Neither Party shall assign any right, interest, or obligations under this Agreement without the prior written consent of the other Party. This Agreement and all provisions hereof shall be binding upon, and insure to the benefit of, the Parties and their respective heirs, successors, legal representatives, and assigns.

19.3 Amendment. Except as otherwise provided in this Agreement, neither this Agreement nor any provision hereof may be waived, modified, amended, discharged, or terminated except by an instrument in writing signed by both parties, and then only to the extent set forth in such instrument.

19.4 Entire Agreement. This Agreement and the Agreements provided for herein constitute the entire understanding between the Parties with respect to the matters set forth herein, and they supercede all prior or contemporaneous understandings or Agreements between the Parties with respect to the subject matter hereof, whether oral or written.

19.5 Notices. Any notice, approval, consent, waiver or other communication required or permitted to be given or to be served upon either Party in connection with this Agreement shall be in writing. Such notice shall be personally served. Such notices shall be addressed to the Party to whom such notice is to be given at the Party's address or sent in accordance with this section.

If to Olsen:

Patricia Olsen
P.O. Box 10
Rimrock, AZ 86335

928-300-3291

If to Company:

Montezuma Rimrock Water Company LLC
P.O. Box 10
Rimrock, AZ 86335

19.6 Governing Law. This Agreement shall be governed by, and construed and interpreted in accordance with the laws of the State of Arizona, without given effect to any choice-of-law or conflict of law rule or principle that would result in the application of any other laws.

19.7 Headings. Headings, title, and captions are for convenience only and shall not constitute a portion of this Agreement or be used for the interpretation thereof.

19.8 Cumulative Rights; Waiver. The rights created under this Agreement, or by law or equity, shall be cumulative and may be exercised at any time and from time to time. No failure by either party to exercise and no delay in exercising any rights, shall be construed or deemed to be a waiver thereof, nor shall any single or partial exercise by any Party preclude any other or future exercise thereof or the exercise of any other right. Any waiver of any provision or of any breach of any provision of this Agreement must be in writing and any waiver by any party of any breach of any provision of this Agreement shall not operate as or be construed to be a waiver of any other breach of that provision or of any breach of any other provision of this Agreement. The failure of any party to insist upon strict adherence to any term of the Agreement on one or more occasions shall not be considered or construed or deemed a waiver of any provision or any breach of any provision of this Agreement or deprive that Party of the right thereafter to insist upon strict adherence to that term or provision or any other term or provision of this Agreement. No delay or omission on the part of any Party in exercising any right under this Agreement shall operate as a waiver of any such right or any other right under this Agreement.

19.9 Liberal Construction. This Agreement constitutes a fully-negotiated agreement among commercially sophisticated Parties, each assisted by legal counsel, and the terms of this agreement shall not be construed or interpreted for or against any Party because that Party or its legal representative drafted or prepared such provision.

19.10 Severability. If any provision of this Agreement is invalid, illegal, or unenforceable, such provision shall be deemed to be severed or deleted from this Agreement and the balance of this Agreement shall remain in full force and effect notwithstanding such invalidity, illegality, or unenforceability.

19.11 Good Faith and Fair Dealing. The Parties acknowledge and agree that the performances required by the provisions of this Agreement shall be undertaken in good faith, and with each of the parties dealing fairly with each other.

19.12. No Third-Party Beneficiaries. Subject to section 19.2 above, this Agreement does not create, and shall not be construed to create, any rights enforceable by any person, partnership, corporation, joint venture, limited liability Company or other form of organization or association of any kind that is not a Party, except to the extent that a Party's rights may be enforced by a parent company or a subsidiary of such Party.

19.13 Counterparts; Facsimile Execution. This Agreement may be executed in counterparts, each of which shall be deemed an original, but all of which together shall constitute one and the same instrument. The signature page of any counterpart may be detached therefrom without impairing the legal effect of the signature(s) thereon, provided such signature page is attached to any other counterpart identical thereto except for having an additional signature page executed by any other Party. Each Party agrees that each other Party may rely upon the facsimile signature of any Party on this Agreement as constituting a duly authorized, irrevocable, actual, current delivery of this Agreement as fully as if this Agreement contained the original ink signature of the Party supplying a facsimile signature.

19.14 Time of the Essence. Time is of the essence, of each and every provision of this Agreement. Unless business days are expressly provided for, all reference to "days" herein shall refer to consecutive calendar days. If any date or time period provided or in this Agreement is or ends on a Saturday, Sunday or federal, state, or legal holiday, then such date automatically shall be extended to the next day which is not a Saturday, Sunday, or federal, state, or legal holiday.

19.15 Number and gender. As used herein, and as the circumstances require, the plural term shall include the singular, the singular shall include the plural, the neuter term shall include the masculine and feminine genders, the masculine term shall include the neuter and the feminine genders, and the feminine term shall include the neuter and the masculine genres.

19.16 Disputes.

19.16.1 Arbitration. Any dispute or controversy arising out of, under, or in connection with, or in relation to, this Agreement and/or any amendments thereto, or the breach thereof, which is not resolved informally by prior mutual Agreement of the Parties, shall be submitted to arbitration in accordance with the procedures set forth in the Arizona Uniform Arbitration Act (ARS 12-1501, et seq.), unless otherwise waived and/or modified in writing by the parties. The cost of such arbitration shall be paid by the Parties equally; however, the prevailing Party in the arbitration shall be entitled to reimbursement of its attorneys fees and other costs and expenses incurred in connection therewith.

19.16.2. Attorneys Fees. If a dispute arises which is not resolved by arbitration pursuant to Section 19.16.1 above, and any party reasonably retains counsel for the purpose of enforcing any provision of this Agreement, including without limitation the institution of any action or proceeding to enforce any provision of this Agreement, or to recover damages if otherwise available hereunder, or to obtain injunctive or other relief by reason of any alleged

breach of any provision of this Agreement, or for a declaration based on demonstrated necessity of such Party's rights or obligations under this Agreement, or for any other judicial or equitable remedy, then if the matter is settled by judicial or quasi-judicial determination, the prevailing party shall be entitled, in addition to such other relief as may be granted, to be reimbursed by the losing Party for all costs and expenses incurred including, without limitation, all attorneys' fees and costs for services rendered to the prevailing Party and any attorneys' fees and costs incurred in enforcing any judgment or order entered. The prevailing Party shall be as determined by the court in the initial or any subsequent proceeding.

19.17 Governing Law. The validity, interpretation, and enforcement of this Agreement shall be governed by the laws of the State of Arizona.

19.18 Force Majeure. If any performance other than the payment of money due hereunder) of this agreement is prevented, delayed, or made impracticable due to drought, flood, fire, earthquake, or other natural disaster, strike, insufficiency of electrical power or fuel, civil rioting, terrorist attack, war or military conflict, inability of Olsen to obtain all necessary permits or approvals (including any and all environmental approvals), or if the cost of complying with environmental or safe drinking water requirements renders such performance economically impractical (collectively a "Force Majeure Event"), then such performance (except for the payment of money due hereunder) of this Agreement shall be excused for the period of prevention, delay, or impracticability resulting from the Force Majeure Event.

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the last date below written.

Dated: 3/16/12

Dated: 3/16/12

Olsen

By: 

Montezuma Rimrock Water Company LLC

By: 

EXHIBIT "A"

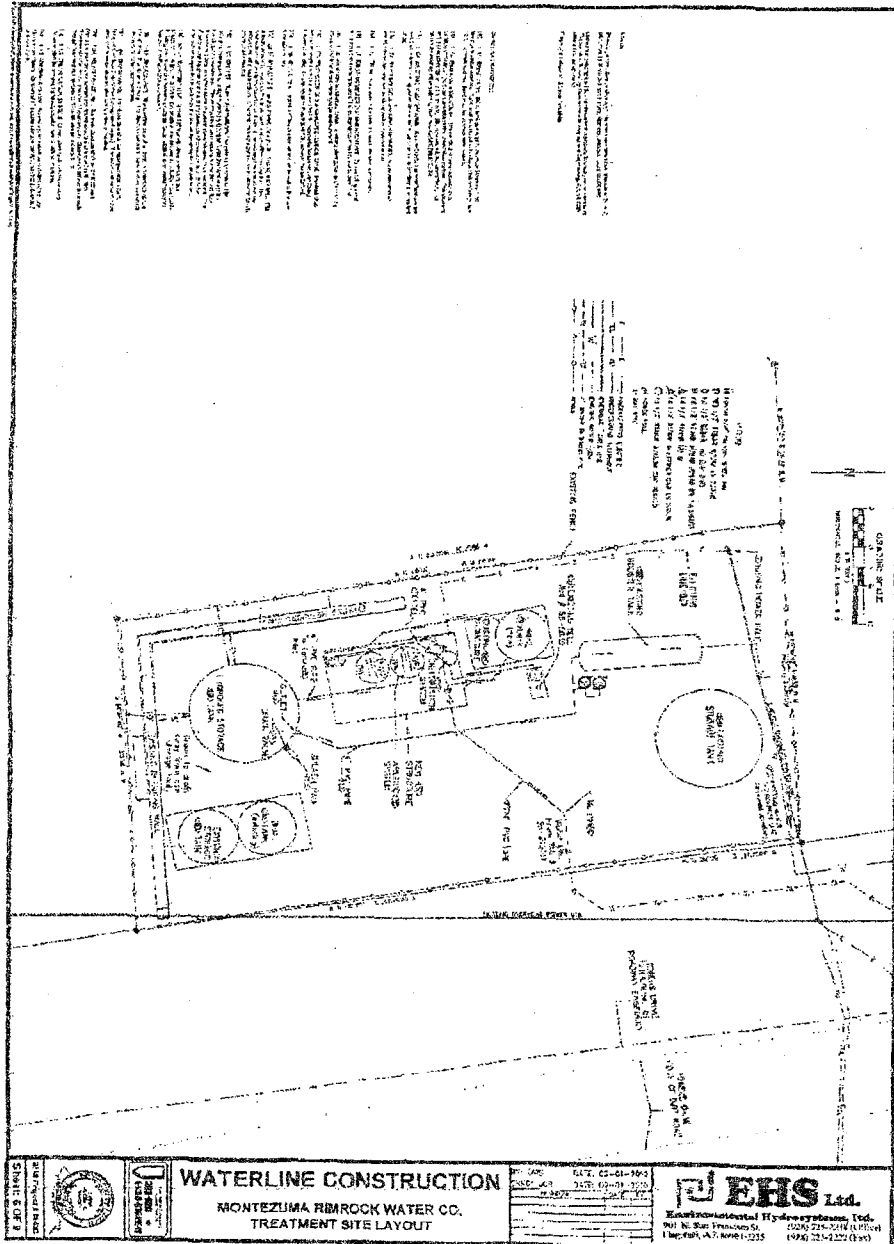


EXHIBIT "B"

Montezuma Rimrock Water Company, LLC

Wells No. 1 and No. 4

Arsenic Removal Facilities

Description of Facilities

- Treatment Module (150 gpm capacity)
 - 2 bed configuration
 - Internal media system

- Pre-Treatment filter system
 - Bag filters
 - Inlet, outlet, filter header system

- Waste storage tanks
 - 1 polypro tank
 - 3" Waste discharge system

EXHIBIT "C"

**Montezuma Water Company
Wells No. 1 and No. 4
Arsenic Treatment Facility
Water Quality Specification**

Treated Water Arsenic Concentration: Not greater than 9 micrograms per liter

EXHIBIT "D"

Montezuma Rimrock Water Company

Wells No. 1 and No. 4

Arsenic Removal Facility

Influent Arsenic Concentration

Influent Arsenic Concentration: Not greater than 45 micrograms per liter.

EXHIBIT "E"

INVOICE			INV. #XXXXXXX
Patricia Olsen P.O. Box 10 Rimrock, AZ 86335 928-300-3291			
BILL TO: Montezuma Rimrock Water Company P.O. Box 10 Rimrock, AZ 86335		SERVICE ADDRESS: Well No. 1 Rimrock, AZ	
PO/Contract Number: Invoice Date: 3/25/2012 Billing Cycle: 3/30/2012 - 4/30/2012 Days of Service: 31	Previous Meter Reading: Current Meter Reading: Total Flow (gallons): Total Flow (Acre-ft):	3/30/12 12:00AM 4/30/12 12:00AM	0.0 0.0 0.0 0.00000
Previous Charges and Credits:	Amount of Previous Bill Payment Received		\$0.00 \$0.00
New Charges and Credits:	Standby Fee: Treatment Fee:	\$0.00/ month \$0.00 /acre-ft x 0.0 acre-ft	\$0.00 \$0.00

Total Due	\$0.00
------------------	---------------

Please Remit to:

Patricia Olsen

P.O. Box 10

Rimrock, AZ 86335

EXHIBIT "F"

Montezuma Rimrock Water Company Well No. 1 and No. 4 Arsenic Removal Facility

Performance Schedule

- **Week 1**
 - Company begins on-site and off-site preparation
 - Olsen begins unit assemble

- **Week 6**
 - Company completes on-site and off-site preparations
 - Olsen begins on-site mobilization

- **Week 8**
 - Olsen begins installation of Arsenic Removal Facility

- **Week 10**
 - Olsen completes installation of Arsenic Removal Facility
 - Olsen begins startup tests
 - Olsen completes startup tests
 - Arsenic Removal Facility ready for permitting

EXHIBIT "G"

PER ACRE FOOT TREATMENT FEE

CATEGORY	%	Fee Per Acre Foot
Media Replacement or Regeneration Costs		
Media Replacement or Regeneration Service Costs		
Waste Media Regeneration Disposal Costs		
Other Operation and Maintenance Costs		
<u>TOTAL</u>		

ADDITIONAL TREATMENT FEE

CATEGORY	%	Fee Per Acre Foot
Media Replacement or Regeneration Costs		
Media Replacement or Regeneration Service Costs		
Waste Media Regeneration Disposal Costs		
Other Operation and Maintenance Costs		
<u>TOTAL</u>		

EXHIBIT 2

Lessor: NILE RIVER LEASING, L.L.C. 9526 N. 46 TH ST. PHOENIX, AZ 85028 Ph. (480) 607-6800 Toll Free (888) 607-6800		Lessee Number >	
Full Legal Name and Place of Business of Lessee > PATRICIA D. OLSEN > 2126 S. TOMBAUGH WAY > FLAGSTAFF, AZ 86001		Place of Incorporation or organization or, if an individual, location of principal residence. > 2126 S. TOMBAUGH WAY > FLAGSTAFF, AZ 86001	
Quantity Equipment Leased	Description, Model #, Catalog #, Serial #, or other identification > 1 - ARSENIC BUILDING PLANT BUILDING CONSTRUCTION WITH ELECTRICAL CONNECTION - SIZE: 10 X 20 X 10 FEET		
Equipment Location if Different	> 4599 E. GOLDMINE RD., RIMROCK, AZ 86335		
Terms >	Amount of Each Payment (plus Sales or Use Tax, if applicable) > \$ 342.09	<input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other Specify:	Terms of Lease > 36
		No. of Payments > 36	Advanced Payment/Security Deposit > \$ 734.46

TERMS AND CONDITIONS OF LEASE

- LEASE.** Lessee hereby leases from Lessor, and Lessor leases to Lessee, the equipment and other property described above, together with any replacement parts, additions, repairs or accessories now or hereafter incorporated in or attached thereto (hereinafter referred to as the "Equipment").
- ACCEPTANCE OF EQUIPMENT.** Lessee agrees to inspect the Equipment and to execute an Acknowledgment and Acceptance of Equipment by Lessee within, as provided by Lessor, after the Equipment has been delivered and after Lessee has satisfied that the Equipment is satisfactory in every respect. Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with regard to the Equipment.
- DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDY.** THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR. Lessee acknowledges and agrees by his signature below as follows: (a) LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OR THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT; (b) Lessee has fully inspected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in good condition and to Lessee's complete satisfaction; (c) Lessee leases the Equipment "as is" and with all faults; (d) Lessee specifically acknowledges that the Equipment is leased to Lessee solely for commercial or business purposes and not for personal, family, household, or agricultural purposes; (e) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSOR OF ANY OTHER OBLIGATION UNDER THIS LEASE.
- ASSIGNMENT BY LESSEE PROHIBITED.** WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- COMMENCEMENT; RENTAL PAYMENTS; INTERIM RENTALS.** This Lease shall commence upon the written acceptance hereof by Lessor and shall end upon the full performance and observance by Lessee of each and every term, condition and covenant set forth in this Lease, any Schedules hereto and any extensions hereof. Rental payments shall be in the amounts and frequency as set forth on the face of this Lease or any Schedules hereto. In addition to regular rentals, Lessee shall pay to Lessor interim rent for the use of the Equipment prior to the due date of the first payment. Interim rent shall be in an amount equal to 1/30th of the monthly rental, multiplied by the number of days elapsing between the date in which the Equipment is accepted by Lessee and the commencement date of this Lease, together with the number of days elapsing between commencement of the Lease and the due date of the first payment. The payment of interim rent shall be due and payable upon Lessee's receipt of invoice from Lessor. The rental period under the Lease shall terminate following the last day of the term stated on the face hereof or in any Schedule hereto unless such Lease or Schedule has been extended or otherwise modified. Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within ninety (90) days after Lessee signs this Lease.

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

- CHOICE OF LAW.** This Lease shall not be effective until signed by Lessor at its principal office listed above. This Lease shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lessee agrees to jurisdiction in the State of Arizona in any action, suit, arbitration or proceeding regarding this Lease. In the event of any legal action with regard to the Lease or the Equipment covered hereby, Lessee agrees that venue shall be maintained in Maricopa County, Arizona.
- SECURITY DEPOSIT.** As security for the prompt and complete payment of the amounts due under this Lease, and Lessee's complete performance of all its obligations under this Lease, and any extension or renewal hereof, Lessee has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shall be made in the performance of any Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. Within 15 days after Lessor mails notice to Lessee that Lessor has applied any portion of the security deposit to the amount of any default, Lessee shall restore paid security deposit to the full amount set forth above. On the expiration or earlier termination or cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rent called for and fully performed all other provisions of this Lease, Lessor will return to the Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.
- LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY.** In the event it is necessary to amend the terms of the Lease to reflect a change in one or more of the following conditions: (a) Lessor's actual cost of providing the Equipment to Lessee, or (b) A change in rental payments, or (c) Description of the Equipment; then Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects in writing to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee grants to Lessor a specific power of attorney for Lessor to use as follows: (i) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code, and (ii) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.
- LOCATION.** The Equipment shall be kept at the location specified above, or, if none is specified, at Lessee's address as set forth above and shall not be removed without Lessor's prior written consent. Notwithstanding this provision, should Lessee change the location of the Equipment without first obtaining Lessor's consent, then Lessee shall immediately provide Lessor with the new location of the Equipment.
- USE.** Lessee shall use the Equipment in a careful manner, make as necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenance, and shall not make any alterations, additions, or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.
- OWNERSHIP; PERSONALITY.** The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease.

LESSEE ACKNOWLEDGMENTS. Lessee acknowledges the following: (a) Lessee's full and accurate legal name is as provided on page one of this Lease; (b) Lessee is a corporation ("partnership") and/or individual (); (c) Lessee is (if an organization) duly organized, validly existing and in good standing under the laws of the jurisdiction set forth on page one of this Lease.

LESSEE: PATRICIA D. OLSEN

LESSOR: NILE RIVER LEASING, L.L.C.

[Signature]
 Date: 3/16/12

[Signature]
 Date: 3-16-2012

Lessor: NILE RIVER LEASING, L.L.C. 9526 N. 46 TH ST. PHOENIX, AZ 85028 Ph. (480) 607-6800 Toll Free (888) 607-6800		Lease Number >	
Full Legal Name and Place of Business of Lessee > PATRICIA D. OLSEN > 2126 S. TOMBAUGH WAY > FLAGSTAFF, AZ 86001		Place of Incorporation or organization or, if an individual, location of principal residence. > 2126 S. TOMBAUGH WAY > FLAGSTAFF, AZ 86001	
Quantity Equipment Leased	Description, Model #, Catalog #, Serial #, or other identification > 1 - ARSENIC REMOVAL WATER TREATMENT SYSTEM TANKS, PIPING COMPONENTS, ENGINEERING, START-UP ETC.		
Equipment Location, if Different	> 4599 R. GOLDMINE RD., RIMROCK, AZ 86335		
Terms >	Amount of Each Payment (plus Sales or Use Tax, if applicable) > \$ 1,058.18	<input checked="" type="checkbox"/> Monthly <input type="checkbox"/> Other Specify:	Terms of Lease > 60
		No. of Payments > 60	Advanced Payment/Security Deposit > \$ 2,271.92

TERMS AND CONDITIONS OF LEASE

- LEASE.** Lessee hereby leases from Lessor, and Lessor leases to Lessee, the equipment and other property described above, together with any replacement parts, additions, repairs or accessories now or hereafter incorporated in or affixed thereto (hereinafter referred to as the "Equipment").
- ACCEPTANCE OF EQUIPMENT.** Lessee agrees to inspect the Equipment and to execute an Acknowledgement and Acceptance of Equipment by Lessee's notice, as provided by Lessor, after the Equipment has been delivered and after Lessee is satisfied that the Equipment is satisfactory in every respect. Lessee hereby authorizes Lessor to insert in this Lease serial numbers or other identifying data with regard to the Equipment.
- DISCLAIMER OF WARRANTIES AND CLAIMS; LIMITATION OF REMEDIES.** THERE ARE NO WARRANTIES BY OR ON BEHALF OF LESSOR. Lessee acknowledges and agrees by his signature below as follows: (a) LESSOR MAKES NO WARRANTIES EITHER EXPRESSED OR IMPLIED AS TO THE CONDITION OF THE EQUIPMENT, ITS MERCHANTABILITY, ITS FITNESS OR SUITABILITY FOR ANY PARTICULAR PURPOSE, ITS DESIGN, ITS CAPACITY, ITS QUALITY, OR WITH RESPECT TO ANY CHARACTERISTICS OF THE EQUIPMENT; (b) Lessee has fully inspected the Equipment which it has requested Lessor to acquire and lease to Lessee, and the Equipment is in good condition and to Lessee's complete satisfaction; (c) Lessee leases the Equipment "as is" and with all faults; (d) Lessee specifically acknowledges that the Equipment is leased to Lessee solely for commercial or business purposes and not for personal, family, household, or agricultural purposes; (e) LESSEE SHALL HAVE NO REMEDY FOR CONSEQUENTIAL OR INCIDENTAL DAMAGES AGAINST LESSOR; and (f) NO DEFECT, DAMAGE, OR UNFITNESS OF THE EQUIPMENT FOR ANY PURPOSE SHALL RELIEVE LESSEE OF THE OBLIGATION TO PAY RENT OR RELIEVE LESSEE OF ANY OTHER OBLIGATION UNDER THIS LEASE.
- ASSIGNMENT BY LESSEE PROHIBITED.** WITHOUT LESSOR'S PRIOR WRITTEN CONSENT, LESSEE SHALL NOT ASSIGN THIS LEASE OR SUBLEASE THE EQUIPMENT OR ANY INTEREST THEREIN, OR PLEDGE OR TRANSFER THIS LEASE, OR OTHERWISE DISPOSE OF THE EQUIPMENT COVERED HEREBY.
- COMMENCEMENT; RENTAL PAYMENTS; INTERIM RENTALS.** This Lease shall commence upon the written acceptance hereof by Lessor and shall end upon the full performance and observance by Lessee of each and every term, condition and covenant set forth in this Lease, any Schedules hereto and any extensions hereof. Rental payments shall be in the amounts and frequency as set forth on the face of this Lease or any Schedules hereto. In addition to regular rentals, Lessee shall pay to Lessor interim rent for the use of the Equipment prior to the due date of the first payment. Interim rent shall be in an amount equal to 1/30th of the monthly rental, multiplied by the number of days elapsing between the date in which the Equipment is accepted by Lessee and the commencement date of this Lease, together with the number of days elapsing between commencement of the Lease and the due date of the first payment. The payment of interim rent shall be due and payable upon Lessee's receipt of invoice from Lessor. The rental period under the Lease shall terminate following the last day of the term stated on the face hereof or in any Schedule hereto unless such Lease or Schedule has been extended or otherwise modified. Lessor shall have no obligation to Lessee under this Lease if the Equipment, for whatever reason, is not delivered to Lessee within thirty (30) days after Lessee signs this Lease.

THIS LEASE IS NOT CANCELABLE OR TERMINABLE BY LESSEE.

LESSEE UNDERSTANDS AND ACKNOWLEDGES THAT NO BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AN AGENT OF LESSOR OR BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, IS AUTHORIZED TO WAIVE OR ALTER ANY TERM OR CONDITION OF THIS LEASE, AND NO REPRESENTATION AS TO THE EQUIPMENT OR ANY OTHER MATTER BY THE BROKER OR SUPPLIER, NOR ANY SALESMAN, BROKER, OR AGENT OF ANY BROKER OR SUPPLIER, SHALL IN ANY WAY AFFECT LESSEE'S DUTY TO PAY THE RENTALS AND TO PERFORM LESSEE'S OBLIGATIONS SET FORTH IN THIS LEASE.

- CHOICE OF LAW.** This Lease shall not be effective until signed by Lessor at its principal office listed above. This Lease shall be considered to have been made in the State of Arizona and shall be interpreted in accordance with the laws and regulations of the State of Arizona. Lessee agrees to jurisdiction in the State of Arizona in any action, suit, arbitration or proceeding regarding this Lease. In the event of any legal action with regard to the Lease or the Equipment covered hereby, Lessee agrees that venue shall be maintained in Maricopa County, Arizona.
- SECURITY DEPOSIT.** As security for the prompt and complete payment of the amounts due under this Lease, and Lessee's complete performance of all its obligations under this Lease, and any extension or renewal hereof, Lessee has deposited with Lessor the amount set forth in the section shown as "Security Deposit." In the event any default shall be made in the performance of any Lessee's obligations under this Lease, Lessor shall have the right, but shall not be obligated, to apply the security deposit to the curing of such default. Within 15 days after Lessor mails notice to Lessee that Lessor has applied any portion of the security deposit to the amount of any default, Lessee shall restore said security deposit to the full amount set forth above. On the expiration or earlier termination or cancellation of this Lease, or any extension or renewal hereof, provided Lessee has paid all of the rent called for and fully performed all other provisions of this Lease, Lessor will return to the Lessee any then remaining balance of said security deposit, without interest. Said security deposit may be commingled with Lessor's other funds.
- LIMITED PREARRANGED AMENDMENTS; SPECIFIC POWER OF ATTORNEY.** In the event it is necessary to amend the terms of the Lease to reflect a change in one or more of the following conditions: (a) Lessor's actual cost of providing the Equipment to Lessee, or (b) A change in rental payments, or (c) Description of the Equipment, then Lessee agrees that any such amendment shall be described in a letter from Lessor to Lessee, and unless within 15 days after the date of such letter Lessee objects in writing to Lessor, this Lease shall be deemed amended and such amendments shall be incorporated in this Lease herein as if originally set forth. Lessee grants to Lessor a specific power of attorney for Lessor to use as follows: (i) Lessor may sign and file on Lessee's behalf any document Lessor deems necessary to perfect or protect Lessor's interest in the Equipment or pursuant to the Uniform Commercial Code, and (ii) Lessor may sign, endorse or negotiate for Lessor's benefit any instrument representing proceeds from any policy of insurance covering the Equipment.
- LOCATION.** The Equipment shall be kept at the location specified above, or, if none is specified, at Lessee's address as set forth above and shall not be removed without Lessor's prior written consent. Notwithstanding this provision, should Lessee change the location of the Equipment without first obtaining Lessor's consent, then Lessee shall immediately provide Lessor with the new location of the Equipment.
- USE.** Lessee shall use the Equipment in a careful manner, make as necessary repairs at Lessee's expense, shall comply with all laws relating to its possession, use, or maintenance, and shall not make any alterations, additions, or improvements to the Equipment without Lessor's prior written consent. All additions, repairs or improvements made to the Equipment shall belong to Lessor.
- OWNERSHIP; PERSONALTY.** The Equipment is, and shall remain, the property of Lessor, and Lessee shall have no right, title, or interest in the Equipment except as expressly set forth in this Lease.

LESSEE ACKNOWLEDGEMENTS. Lessee acknowledges the following: (a) Lessee's full and accurate legal name is as provided on page one of this Lease; (b) Lessee is a corporation, () partnership () individual (); (c) Lessee is (if an organization) duly organized, validly existing and in good standing under the laws of the jurisdiction set forth on page one of this Lease.

LESSOR: PATRICIA D. OLSEN

LESSOR: NILE RIVER LEASING, L.L.C.

Patricia D. Olsen
 Date: 3/16/12

Mike Nichols
 Date: 3-16-2012

3024-0

EXHIBIT 3



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

Contract for:

Arsenic Treatment System

With

Patricia Olsen

Owner/Operator of

Montezuma Rimrock Water Company, LLC



Kevlor Design Group, LLC

430 Fitzgerald Place • Atlanta, Georgia 30349

Proposal ID: KDG012712

January 27, 2012

Patricia Olsen (928-300-3291)
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335

Dear Patricia,

Kevlor Design Group, LLC is involved in water treatment and automation projects throughout the U.S.A. With years of experience we offer solutions for arsenic removal, chemical metering, and system integration.

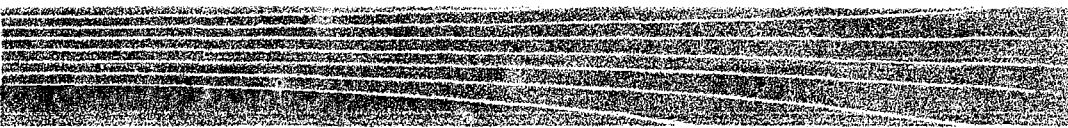
Products & Services

Our products and services are built around filtration technologies along with manufacturing state of the art equipment for water processing. Our objective is focused on performance and continuous improvement. This makes us a company of trust, which is where we build our relationship with customers.

Contact Kevlor for your next water treatment project. Call us at 770-653-5174 to get your project flowing.

Sincerely,

Kelvin Duffy
President



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

TOTAL PROJECT COST: \$46,000.00

TERMS AND CONDITIONS

Down Payment	Due at signing of contract	\$ 23,000
ADEQ Permit Fee	Due at signing of contract	\$ N/A
Engineering	Due at signing of contract	\$ N/A
Media payment	Due at System Delivery	\$ 16,280
Final Payment	Due upon System Hookup	\$

Protected Pricing – This pricing is valid through 02/28/2012

Transportation Liability – Kevlor is responsible for transportation and any damage during the delivery process. FOB is to Well Site.



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

Kevlor Design Group, LLC is pleased to present this contract to Patricia Olsen owner/operator of Montezuma Rimrock Water Company, LLC for arsenic removal at well #1, 4599 E. Goldmine Rd., Rimrock, AZ 86335.

Our arsenic removal system utilizes the Bayoxide Granular Ferric E33 arsenic removal media. This treatment technology provides the highest capacity in wide range of water conditions with superior kinetics, and no wastewater discharge requirement. We have based this pricing on information provided to us by Patricia Olsen, Manager of Montezuma Rimrock Water Company, LLC.

Proposal No. KDG012712

Contents

Equipment Description

System Design

☐ **Media Cost (___ cu. Ft)**

Design Criteria

Ancillary Services

☐ **Installation/Start-up**

☐ **Equipment Warranty**

☐ **Site Building**

Service Provided by Patricia Olsen


Total Project Cost

Terms and Conditions

Contract Acceptance

ADEQ Required Testing

*Any or all additional local, state, or federal fees, taxes, or permits are the responsibility of Montezuma Rimrock Water Company LLC.



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

ASSUMPTIONS

We have based this information upon your well running intermittently 24 hours a day, 365 days per year.

EQUIPMENT DESCRIPTION

Kevlor will design and manufacture the arsenic removal system using 2 fiberglass vessels size 48" x 72" height. The vessels are NSF/ANSI certified for drinking water applications and will include all internal parts (bottom hub, laterals etc). The vessels will also be design with a 6-inch diameter flange on top and bottom for plumbing connections. A small stainless steel enclosure will be the operator interface for monitoring the flow readings and totalizing.

The valves will be 2" butterfly valves with easy operating levers for opening and closing the valves for water direction.

Plumbing and construction will be done on-site using schedule 80 PVC piping for inlet and outlet connections. In-line check valves, ball valves, and diaphragm valves will be used for flow control.

SYSTEM DESIGN

Maximum Flow Design – 150 GPM

Pre-treatment – The pre-treatment system will be a manual bag filtration system.

Blending System – If blended, treated water delivery must go to a storage tank.

Chlorination – Chlorination is required for these arsenic removal systems.

Media Disclosure – This system is designed to operate with Bayoxide E33 approved media only. The total amount of media to be loaded is: 74 cubic feet. The media cost is \$220.00 per cuft plus shipping. Any other media usage voids the equipment warranty.


Equipment Sizing – The system sizing is based on well volume (gpm) information provided by Montezuma Rimrock Water Company LLC and the local P.E.



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

ADEQ REQUIRED TESTING				
WELL #	DATE	RESULTS	DATE	NOTES
DAY 1				KEEP AT SITE
DAY 2				KEEP AT SITE
DAY 3				KEEP AT SITE
DAY 4				KEEP AT SITE
DAY 5				KEEP AT SITE
DAY 6				KEEP AT SITE
DAY 7				KEEP AT SITE
WEEK 2				KEEP AT SITE
WEEK 3				KEEP AT SITE
WEEK 4				KEEP AT SITE
MONTH 1				KEEP AT SITE
QUARTER 1				KEEP AT SITE
QUARTER 2				KEEP AT SITE



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

ALL TESTS MUST BE BY A 3RD PARTY LAL



Kevlor Design Group, LLC

430 Fitzgerald Place Atlanta, Georgia 30349

CONTRACT ACCEPTANCE FORM

I, Patricia Olsen, accept the terms and conditions of the stated proposal No: KDG012712 from Kevlor Design Group, LLC.

I, Patricia Olsen, understand all statement and warranted both written and implied and further agree to follow items as outlined in the operational manual which pertain to all original manufacturers of equipment.

I, Patricia Olsen, am authorized to enter into this legally binding contracted for arsenic removal.

If this proposal is in accordance with your request, please indicate your acceptance by signing in the space below. We are prepared to process this order upon receipt.

If you have any questions, please contact me at (770) 653-5174.

Kevlor Design Group, LLC
kduffy@kevlordesigngroup.com

By: 

Kelvin Duffy,

President

Date: January 27, 2012

Accepted and Agreed:

Patricia Olsen

By: 

Print Name: Patricia D. Olsen

Title: Manager

Date: 2/28/12

C-EX 96

Notice of Violation



Janet Napolitano
Governor

ARIZONA DEPARTMENT
OF
ENVIRONMENTAL QUALITY

1110 West Washington Street • Phoenix, Arizona 85007
(602) 771-2300 • www.azdeq.gov



Stephen A. Owens
Director

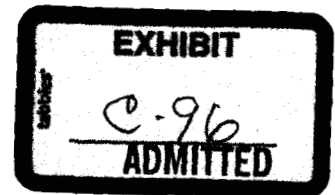
CERTIFIED MAIL

Return Receipt Requested

December 17, 2008

Case ID: 105250

MONTEZUMA RIMROCK WC LLC
Attention: Patricia Olsen
P.O. Box 10
Rimrock, AZ 86335



Re: Notice of Violation issued to MONTEZUMA RIMROCK WC LLC – PWS #13-071

Dear Ms. Olsen:

Based upon a recent file review of analytical results from this public water system, ADEQ is issuing the attached Notice of Violation ("NOV").

The attached NOV is an informal compliance assurance tool used by ADEQ to put a responsible party (such as a facility owner or operator) on notice that the Department believes a violation of an environmental requirement has occurred. It describes the facts known to ADEQ at the time of issuance and cites the requirement that ADEQ believes the party has violated.

Although ADEQ has the authority to issue appealable administrative orders compelling compliance, an NOV has no such force or effect. Rather, an NOV provides the responsible party an opportunity to do any of the following before ADEQ takes formal enforcement action: (1) meet with ADEQ and discuss the facts surrounding the violation, (2) demonstrate to ADEQ that no violation has occurred, or (3) document that the violation has been corrected.

ADEQ reserves the right to take a formal enforcement action, such as issuing an administrative order or filing a civil lawsuit, regardless of whether the Department has issued an NOV. Neither ADEQ's issuance of an NOV nor its failure to do so precludes the Department from pursuing these remedies. However, the timeliness of a complete response to this notice will be considered by ADEQ in determining if and how to pursue such remedies.

Sincerely,

Cynthia S. Campbell

Cynthia S. Campbell, Manager
Water Quality Compliance Section

Cc:

Ben Chou, ADEQ ENVMTL PRG SPCT

Yavapai County Community Health Services
Robert Resendes, Director
1090 Commerce Drive
Prescott, AZ 86305

Patrick Chan,
US EPA Regional Office IX
75 Hawthorne St.
San Francisco, CA 94105



Janet Napolitano
Governor

ARIZONA DEPARTMENT OF ENVIRONMENTAL QUALITY

1110 West Washington Street Phoenix, Arizona 85007
(602) 771-2300 www.azdeq.gov



Stephen A. Owens
Director

CERTIFIED MAIL
Return Receipt Requested

Case ID #: 105250

December 17, 2008

Montezuma Rimrock Water Co LLC
Attention: Patricia D. Arias
Po Box 10
Rimrock, AZ 86335-0010

Subject: Montezuma Rimrock Water Co LLC, Place ID 135127
LAT: 34d, 39', .67" N LNG: 111d, 46', 12.5" W

NOTICE OF VIOLATION

The Arizona Department of Environmental Quality (ADEQ) has reason to believe that Montezuma Rimrock Water Co LLC as the owner/operator of Montezuma Rimrock Water Co LLC has violated a requirement of the Arizona Revised Statutes (A.R.S.), a rule within the Arizona Administrative Code (A.A.C.), or an applicable permit/license, administrative order or civil judgment. ADEQ discovered the violations alleged below during a file review completed on December 04, 2008.

I. LEGAL AUTHORITY and NATURE OF ALLEGED VIOLATION(S)

1. 40 CFR § 141.62(b) / A.A.C. R18-4-109

Distribution of water in excess of the MCL for an inorganic chemical

According to ADEQ records, analytical results submitted for the above referenced water system indicates an exceedance of the Maximum Contaminant Level (MCL) for arsenic. The sample taken at the Entry Point to the Distribution System (EPDS) #001 on June 11, 2008 indicates a level of 0.036 mg/L, and the sample taken at EPDS #003 on June 11, 2008 indicates a level of 0.038 mg/L. The MCL for arsenic is 0.010 mg/L.

II. DOCUMENTING COMPLIANCE

1. Within 30 calendar days of receipt of this Notice, please submit documentation that the violation(s) never occurred, or describe the measures that have been or will be taken to resolve the arsenic exceedance. These must include a specific proposal for treatment or elimination of the source of the exceedance and a plan to provide an alternate source of safe drinking water to be used by the Water System until the Plan is fully implemented (i.e. bottled water, a point of use (POU) treatment device, hauling water, blending or another water source). The Plan shall include a schedule of implementation to begin no later than 30 days after ADEQ approval.

2. Within 60 calendar days of receipt of this Notice, please submit documentation that the violation(s) never occurred, or please submit laboratory results indicating that the MCL for arsenic is no longer being exceeded at the appropriate point of compliance for this drinking water system. Submitting results for sampling performed after receipt of this Notice will not alter the monitoring and reporting schedule set in rule.

III. SUBMITTING COMPLIANCE DOCUMENTATION

Please send all compliance documentation and any other written correspondence regarding this Notice to ADEQ at the following address:

Arizona Department of Environmental Quality, Attention: Vivian J. Burns, Water Quality Compliance Enforcement Unit, 1110 W Washington St, Phoenix, AZ 85007 MC: 5415B-1

IV. STATEMENT OF CONSEQUENCES

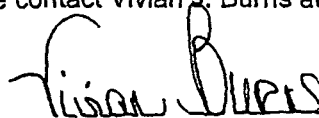
1. The time frames within this Notice for achieving and documenting compliance are firm limits. Failure to achieve or document compliance within the time frames established in this Notice will result in an administrative compliance order or civil action requiring compliance within a reasonable time frame, substantial civil penalties, and/or the suspension or revocation of an applicable permit/license. ADEQ will agree to extend the time frames only in a compliance schedule negotiated in the context of an administrative consent order or civil consent judgment.
2. Achieving compliance does not preclude ADEQ from seeking civil penalties, and/or suspending or revoking an applicable permit/license for the violation(s) alleged in this Notice as allowed by law.

V. OFFER TO MEET

ADEQ is willing to meet regarding this Notice. To obtain additional information about this Notice or to schedule a meeting to discuss this Notice, please contact Vivian J. Burns at (602) 771-4608.



Cynthia S. Campbell, Manager
Water Quality Compliance Section



Vivian J. Burns
Water Quality Compliance Enforcement Unit

C-EX97

Vivian J. Burns

From: Patricia Olsen [patsy@montezumawater.com]
Sent: Thursday, March 26, 2009 8:37 AM
To: Vivian J. Burns
Cc: Cynthia S. Campbell
Subject: Re: ATC for Arsenic Installation

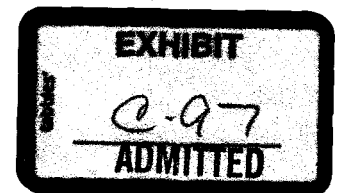
Thanks Vivian. I think what I'll do next week is submit everything I can to the engineers so that they can have it ready to move forward immediately. I'll try and meet with them and see if we can't come to an agreement about paying as we go along rather than a 50% retainer for the project. This is the biggest hold up. I don't have the retainer.

Also, I don't expect that I am receiving any partiality. I do know and feel as though you have been very conscientious and are compassionate towards everyone you deal with. There are some people at DEQ that are like that. You've been very efficient in your work. Your moral character and personality were quite evident from initial communications with you. Keep up the good work. It makes a "GREAT" difference when people at DEQ are kind and not mean with those of us who are trying to work towards compliance. But as I have relayed previously, my hands are currently tied until ACC provides me the ability to receive money from WIFA. I also believe there are a great many people who are in my same situation.

Once again, I appreciate the extensive cooperation, willingness to assist, open communication, and continued suggestions on how to get my project to move forward smoothly.

Cheers,

Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335
928-592-9211



From: Vivian J. Burns <Burns.Vivian@azdeq.gov>
To: Patricia Olsen <patsy@montezumawater.com>
Sent: Wednesday, March 25, 2009 7:54:00 AM
Subject: ATC for Arsenic Installation

Patricia,

I wanted to see where you are with the installation of the arsenic removal system because I am trying to avoid issuing you a Consent Order, and by submitting the application for an ATC I can show that you are working on a treatment resolution. I will keep you at the bottom of the list, and hopefully by the time I get around to writing the Order, you will have the money you need, and can start the engineering process. Let me know when you are ready to apply for the ATC, because I want to make sure you get set-up with Frank Smaila, engineer, to work on the engineering review of your project.

I'm not showing you partiality by putting you at the bottom of the list – there are several other systems I am doing the same thing with – as long as I know the person is working on a resolution, I want to avoid issuing the Order. Besides, it saves me from having to write the Order.

Good luck with acquiring the money soon.

Regards,
Vivian

From: Patricia Olsen [mailto:patsy@montezumawater.com]
Sent: Wednesday, March 25, 2009 6:51 AM
To: Vivian J. Burns
Subject: Re: ATC for Arsenic Installation

Vivian,

I realize that an ATC must be filed for the arsenic treatment system but until I receive money from WIFA to proceed with the engineering process, I am unable at this time to move forward. However, as soon as I do receive approval and money, I have selected an engineering firm and will be submitting all the necessary paper work and permits required through ADEQ. I apologize for the tardiness on this matter but have been working with ACC to try and accelerate the process.

Thank you,

*Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335
928-592-9211*

From: Vivian J. Burns <Burns.Vivian@azdeq.gov>
To: Patricia Olsen <patsy@montezumawater.com>
Sent: Tuesday, March 24, 2009 11:13:08 AM
Subject: ATC for Arsenic Installation

Patricia,

Have you filed your application with DEQ for the installation of the arsenic treatment at Montezuma Rimrock?

Vivian

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you.

C-EX 98

Vivian J. Burns

From: Jonathan Bernreuter [jbernreuter@azwifa.gov]
Sent: Tuesday, December 01, 2009 4:45 PM
To: Vivian J. Burns
Cc: Ben H. Chou
Subject: RE: Status Report - AZ Water Facilities with Arsenic Problems



As I looked over your list I found a few bits of information for you.

Casa Grande West – Technical Assistance in process
Maricopa Mountain – Technical Assistance in process
AZ American Tubac – Loan approved
Montezuma Rimrock – Loan pending approval
Tombstone – Technical Assistance approved
Rancho Del Conejo – Loan approved
Thunderbird Farms – Loan in process
Antelope Peak – Technical Assistance approved
Lake Verde Water – no ACC financing case pending. Although they have applied to WIFA for funding, there is no record of them seeking approval from ACC yet.
Wilhoit – Loan in process
Douglas – Loan approved
Verde Lee – Technical Assistance in process. They received a system evaluation. No ACC financing case pending that I can see.
Why DWID – Technical Assistance approved.

That's a quick and dirty look.

Have a nice day,

Jon

From: Vivian J. Burns [mailto:Burns.Vivian@azdeq.gov]
Sent: Monday, November 30, 2009 4:00 PM
To: Jonathan Bernreuter
Cc: Ben H. Chou
Subject: Status Report - AZ Water Facilities with Arsenic Problems

John,

Thank you for spending time with me and Ben discussing water systems with arsenic problems. Attached is a list of water systems that ADEQ issued NOV's to for arsenic exceedances showing the current installation status.

Please let me know if you have questions.

Regards,

Vivian
Vivian Burns, Water Quality Enforcement Case Manager
Arizona Department of Environmental Quality (ADEQ)
1110 W. Washington St., Mail Code 5415B-1
Phoenix, AZ 85007
(602) 771-4608
burns.vivian@azdeq.gov

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you.

C-EX 99



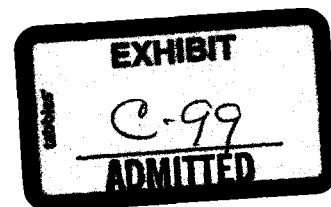
Memorandum

Date: June 2, 2010

To: Marcia Colquitt, Manager Water Quality Enforcement Unit

From: Vivian Burns, Case Manager WQEU *VB*

Subject: Request for management signature on signed Consent Order
Montezuma Rimrock Water Co – PWS #13-071



A Consent Order signed by the owner of Montezuma Rimrock, Public Water System #11-087, is enclosed. Montezuma Rimrock was originally issued a Consent Order October 21, 2009 for an arsenic exceedance, but the owner was unwilling to sign the Order, due to financial concerns.

On November 12, 2009, ADEQ sent Montezuma Rimrock a letter requesting the Order be signed within ten (10) days of acceptance of the certified letter, or escalated action will be taken. Again, the owner was reluctant to sign the Order.

A Compliance Order was issued by ADEQ February 25, 2010. The Order required Maricopa Rimrock to come into compliance with the arsenic rule within thirty (30) calendar days. ADEQ met with the owner and her attorney, and the owner agreed to sign a Consent Order, and ADEQ agreed to withdraw the Compliance Order, and reissue the Consent Order, which allows for longer timelines for completing the arsenic treatment system.

Please review the enclosed Order, and have Mike Fulton sign page nine (9) of the document. Once the Order is signed, I will take to the Office of Administrative Hearings for processing.

C-EX 101

John E. Dougherty III

PO Box 501

Rimrock, AZ

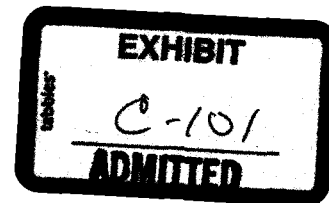
86335

602-710-4089

jd.investigativemedia@gmail.com

www.investigativemedia.com

Employment



InvestigativeMedia, LLC

Owner & Editor

Tenure: September 2006 to present

Clients: *The New York Times*, WashingtonIndependent.com, CBS News, *The Arizona Republic*, *High Country News* and *Phoenix New Times* and select private clients including the Nevada Policy Research Institute and Save the Scenic Santa Ritas/Farmers Investment Company.

- Save the Scenic Santa Ritas/Farmers Investment Company: From November 2010 to the present, I have conducted investigative reporting projects related to the proposed construction of massive open-pit copper mine in the Santa Rita Mountains on the Coronado National Forest southeast of Tucson, AZ. The reporting has included a historical and financial analysis of Vancouver, B.C.-based Augusta Resource Corporation, which is seeking state and federal permits to construct the mine through its Arizona subsidiary, Rosemont Copper Company. The project has included the development of a comprehensive website at www.investigativemedia.com, the production of the 25-minute video documentary *Cyanide Beach*, and reporting, editing and publishing news articles on Rosemontminetruth.com.
- Nevada Policy Research Institute: Under a freelance agreement, beginning in February 2007, I conducted investigations into the Las Vegas Convention & Visitors Authority and Nevada property tax laws. The LVCVA investigation resulted in significant local press coverage and fundamental reforms that will save taxpayers millions of dollars. The property tax investigation resulted in legislative efforts to reform Nevada's unique property tax system.

Phoenix New Times

Phoenix, Arizona

Staff writer 1993-2004

Staff columnist 2004-2006

Tenure: March 1, 1993 – September 1, 2006

Duties: During the first 11 years as a feature writer I produced one major story a month ranging between 4,000 and 8,000 words, plus one news short up to 1,500 words. My

stories covered a wide range of topics including sports, environment, politics, government corruption, financial scandals, personality profiles, economic trends and land development.

During this period I was named **Virg Hill Arizona Journalist of the Year** three times and runner up twice. Much of my work focused on former Arizona Governor J. Fife Symington. Pulitzer winner Eileen Welsome called my stories on Symington "some of the best journalism I have ever read" and that my work was "**an inspiration to anyone in our business and a champion for taxpayers.**"

My last two years I produced a weekly column where I combined investigative reporting with analysis and recommendation. I won first place for column writing from the Arizona Press Club in 2006 and second place in the "Best of The West" contest.

The Southwest Sage

Flagstaff, Arizona

Founder, Owner, Editor and Publisher of a free weekly newspaper distributed in Northern Arizona

Tenure: August 1, 1992 – February 28, 1993

Duties: I handled all aspects of producing the paper including editing, reporting, writing, photography, layout, designing and building ads, distribution and business operations.

Despite its short tenure (16 issues), the Arizona Press Club named the Sage the best weekly paper in Arizona. My cartoonist won first place in editorial cartooning competing against all newspapers in Arizona.

East Valley Tribune

Mesa, Arizona

General assignment and political reporter

Tenure: August 1, 1991 – July 31, 1992

Duties: I focused on the scandal erupting around Arizona Governor J. Fife Symington and his troubled real estate business. I wrote a series of stories that foreshadowed much of the financial and political problems that would engulf Symington later in his tenure as governor. I was named **Virg Hill Arizona Journalist of the Year**.

Half Moon Bay Review

Half Moon Bay, CA

Managing Editor and staff writer

Tenure: August 1, 1990—July 31, 1991

Duties: I edited all news copy, assigned art, wrote headlines, designed pages, reported and wrote stories, wrote editorials and conducted several major investigations of the city's relationship with a non-profit farmer's organization that held a multi-million dollar arts festival each year. During my tenure the Review was named California's second best weekly newspaper.

Dayton Daily News

Dayton, Ohio

Business reporter/Environmental reporter

Tenure: January 15, 1989 – August 1990

Duties: I covered banking and the automobile industry. I wrote a front-page Sunday story that was later credited during Senate Ethics Committee hearings for triggering the Keating Five investigation. I was an environmental reporter during the latter part of my tenure and completed a major computer-assisted project on toxic releases from Ohio industries that focused on the role of coal-fired power plants contributing to acid rain.

East Valley Tribune

Mesa, Arizona

Business reporter

Tenure: April 1, 1988 – January 15, 1989

Duties: As a business reporter I wrote a wide range of stories about the collapse of the commercial real estate market and demise of the Arizona thrift industry, including stories documenting major federal law suits filed against thrift executives.

The Phoenix Gazette

Phoenix, Arizona

Business reporter

Tenure: June 1984-April 1988

Duties: I primarily covered agriculture and water issues in Arizona. I focused on the widespread abuse of federal subsidy payments to corporate farmers, the degradation of millions of acres of grazing land by livestock interests and the complexities of Arizona's water delivery system that is heavily subsidized by federal projects including the Central Arizona Project and hydroelectric power plants on the Colorado River. I also reported on the state's high-tech industry and military bases.

The Washington Post

Washington, DC

Intermittently from September 1978 – March 1984.

Duties: Sports desk: I worked nights and weekends on the sports desk as a copy aide. I also covered high school, college and amateur sports.

Financial Desk: Regular contributor to Washington Monday, the Post's business news tabloid where I wrote on a range of topics from United Nuclear Corporation's nuclear accident in New Mexico to the business interests of members of the 1972 Washington Redskins Super Bowl Championship team.

The State Press

Arizona State University

August 1977-December 1977

Sports Editor

January 1977-May 1977

Staff writer

Education

B.S. Journalism, Arizona State University, Tempe, AZ, 1978

B.S. Economics, Arizona State University, Tempe, AZ, 1981

Member, Walter Cronkite School of Journalism Hall of Fame

References

Jeremy Voas

(Former Editor of *Phoenix New Times*)

Investigator

Federal Public Defenders Office

850 Adams Street

Suite 201

Phoenix, AZ

602-382-2700

Jeremyvoas@gmail.com

Jon Talton

Former Business Editor

Dayton Daily News

Former Business Columnist

Arizona Republic

Business Columnist

Seattle Times

jontalton@yahoo.com

http://www.roguecolumnist.typepad.com/rogue_columnist/

Rick Barrs

Editor

Phoenix New Times

1201 E. Jefferson St.

Phoenix, AZ

Rick.barrs@newtimes.com

602-271-0400

John Mecklin

Assistant Editor

Union of Concerned Scientists

john.mecklin@sbcglobal.net



John Dougherty <jd.investigativemedia@gmail.com>

Demand for the Cease and Immediate Retraction of libelous and slanderous statements

3 messages

John Dougherty <jd.investigativemedia@gmail.com>

Fri, Dec 2, 2011 at 12:55 PM

To: patsy@montezumawater.com

Cc: Doug Fitzpatrick <fitzlaw@sedona.net>

Ms. Olsen, I mailed you a copy of the attached demand letter on November 25, 2011. I sent a copy of the letter to your attorney, Doug Fitzpatrick, on the same date.

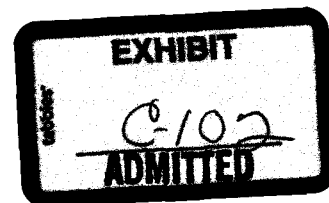
Upon reviewing MRWC records today, it is clear you do not open any letters from me concerning Corporation Commission matters.

Therefore, it appears you may not have opened my Nov. 25, 2011 letter containing the attached document.

Please read the attached letter and immediately provide a response to my demands for complete retraction of your false statements meant to defame my character.

Thank you,

John Dougherty
InvestigativeMedia.com
602-710-4089



Retractdemand112511cx.doc
38K

John Dougherty <jd.investigativemedia@gmail.com>

Sun, Dec 4, 2011 at 5:10 PM

To: Steven Ayers <sayers@verdenews.com>, Steve Ayers <sayers@verdevalleynews.com>

Steve, Patsy called the sheriff because I sent the email below to her Friday. Deputies came to my house on Sunday morning. I wasn't there. My friend called me to alert me they had come to the house. I called the deputies and they came to a coffee shop in Oak Creek. I was issued a class 1 misdemeanor criminal citation for violating the injunction. I have a hearing at 9 a.m. Dec. 13 in Verde Valley Justice Court. I will be filing a defamation suit against her ASAP.

John

[Quoted text hidden]

John Dougherty
InvestigativeMedia.com
602-710-4089

Retractdemand112511cx.doc
38K

John Dougherty <jd.investigativemedia@gmail.com>

Mon, Feb 13, 2012 at 9:07 PM

To: Steve Suskin <steve.suskin@newtimes.com>

FYI

----- Forwarded message -----

From: **John Dougherty** <jd.investigativemedia@gmail.com>

[Quoted text hidden]

[Quoted text hidden]



Retractdemand112511cx.doc

38K

November 25, 2011

Mr. Douglas C. Fitzpatrick
Law Office of Douglas C. Fitzpatrick
49 Bell Rock Plaza
Sedona, AZ 86351
fitzlaw@sedona.net

CERTIFIED MAIL and EMAIL

***Demand for the Immediate Cease and Retraction of Slanderous and Libelous
Statements by Patricia Olsen, president of Montezuma Rimrock Water Company, LLC***

Dear Mr. Fitzpatrick,

On November 23, 2011, KJZZ journalist Ms. Devin Browne contacted me and stated that your client, Ms. Patricia Olsen, stated in an interview that the reason I was opposing Ms. Olsen's company was because I had stated that I didn't want to do business with a "stupid Mexican woman."

Ms. Olsen's statements to Ms. Browne constitute a reckless disregard for the truth and are a false and malicious attempt to defame my character and damage my livelihood as a journalist by asserting that my opposition to Ms. Olsen's company is rooted in sexism and racism.

I have never made such a statement to Ms. Olsen, or to anyone else. Ms. Olsen knows I have never made such a statement to her. Ms. Olsen has no credible witness to support her false and malicious claim that I ever made such a statement to anyone.

This is not the first time Ms. Olsen has resorted to defamation to deflect attention from her gross mismanagement of Montezuma Rimrock Water Company, LLC.

On or about April 18, 2011, Ms. Olsen told Camp Verde Bugle reporter Mr. Steve Ayers that I had called her a "stupid Mexican woman."

On or about July 18, 2011, Mr. Ayers testified during a hearing in Verde Valley Justice Court (CV201103222) that Ms. Olsen told him that I had called her a "stupid Mexican woman".

Ms. Olsen's statement to two reporters on separate occasions that I stated she was a "stupid Mexican woman" ***are slanderous acts of defamation.***

On April 18, 2011, Ms. Olsen sent an email to Arizona Corporation Commission employees Brian Bozzo and Marlin Scott (attached), stating that I had "previously called (her) a 'stupid mexican (sic) woman.'"

Ms. Olsen's written statement that I called her a "stupid mexican woman" is a false and ***libelous act of defamation***.

In the same email, Ms. Olsen also stated:

"Mr. Dougherty and his partner have gone too far. Somebody could have been killed today. While Dougherty's partner Mr. Buddeke was being arrested, Mr. Dougherty ran away."

Ms. Olsen knows I was not present during Mr. Buddeke's arrest, nor was I present on or near his property during the events leading up to the arrest. Ms. Olsen has no credible witness to state that I was present during the events leading up to the arrest. Ms. Olsen knows that I never "ran away" while Mr. Buddeke was being arrested.

Ms. Olsen's inflammatory statement falsely portrays an impression that I was engaged in a conspiracy with Mr. Buddeke in an event in which she claims "somebody could have been killed."

Ms. Olsen's statements that I was associated in any way with the events leading up to and during the arrest of Mr. Buddeke during an alleged life-threatening event are ***libelous acts of defamation***.

My reputation as an award winning journalist who has been published in *The Washington Post*, the *New York Times* and many other national, regional and state publications is seriously damaged by Ms. Olsen's reckless disregard of the truth and repeated malicious attacks on my character meant to defame by reputation.

Ms. Olsen's false and defamatory statements must cease and her previous defamatory statements must be immediately retracted.

I hereby demand that Ms. Olsen immediately provide a written statement to Mr. Steve Ayers and Ms. Devin Browne that unequivocally retracts her slanderous statements that I have ever called her a "stupid Mexican woman."

Further, I hereby demand that copies of Ms. Olsen's written retraction to the reporters be simultaneously provided to me.

Further, I hereby demand that Ms. Olsen immediately provide a written statement to Mr. Earnest Johnson, Executive Director of the Arizona Corporation Commission, stating that she unequivocally retracts her libelous April 18, 2011 email that falsely accused me of calling her a "stupid mexican woman".

Further, I demand that in the same statement to Mr. Johnson that Ms. Olsen unequivocally retract her libelous written statement that I was present during the arrest of Mr. Buddeke and that I "ran away" when he was arrested.

Further, I demand that in the same statement to Mr. Johnson that Ms. Olsen unequivocally state that I was not involved in any way with the events involving the confrontation with Mr. Buddeke in which she claims "somebody could have been killed."

Further, I hereby demand that a copy of the written statement to Mr. Johnson be simultaneously provided to me.

Time is of the essence as the events involving Ms. Olsen's company are attracting widespread media attention.

Unless I receive an immediate response from you stating that all my demands to mitigate Ms. Olsen's defamatory acts will be immediately and fully met, I will pursue all legal recourse available to me including filing a libel suit and seeking an injunction against harassment.

Please contact me immediately to confirm receipt of this letter.

Sincerely,

John E. Dougherty
PO Box 501
Rimrock, AZ 86335

Cc:

Steve Suskin, Esq.
1201 E. Jefferson St.
Suite 100
Phoenix, AZ 85034

Ms. Patricia Olsen
Montezuma Rimrock Water Company
PO Box 10
Rimrock, AZ 86335

Mr. Ernest Johnson
Executive Director
Arizona Corporation Commission
1200 W. Washington Street
Phoenix, AZ 85007

Mr. Steve Ayers
Reporter
Camp Verde Bugle
PO Box 1979
Camp Verde, AZ 86322

Ms. Devin Browne
Reporter
KJZZ
2323 W. 14th Street
Tempe, Arizona 85281

C-EX103

EXHIBIT

C-103
ADMITTED

Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Incident Information

Date/Time Reported 06/21/2012 18:20	Date/Time Found 06/21/2012 18:20	Date/Time Found 06/21/2012 18:20	Officer CROSWHITE, SARAH RENEE		
Incident Location 2126 S Tombaugh Way, Flagstaff, AZ 86001			Common Place Name		
Case Status CLOSED/LEADS EXHAUSTED (20)			Forced Entry <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Felony/Misd/NC FELONY	DV Related N
Case Disposition		Connecting Reports 1. 2. 3. 4.			
Investigator Assigned RODRIGUEZ, MIKE II			Supervisor SHANTZ, MARION GENE		

Charges

1	Charge Type	Description	Statute	DV	<input type="checkbox"/> All
	State	BURGLARY, FIRST DEGREE RESIDENTIAL	13-1508A	N	<input checked="" type="checkbox"/> Com

Victims

Type VICTIM		Name (Last, First, MI) OLSEN, PATRICIA DIANE				AKA Real Name: Olsen, Patricia Diane				
Race W	Sex F	DOB	SSN	Height 506	Weight 140	Hair BRO	Eyes BRO	Age 50	Ethnicity Hispanic	Victim of Crimes 1
Address							Driver License #	State	Home Phone	
Employer Name/Address							Cell Phone		Business Phone	



Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Other Persons

Type INVESTIGATIVE			Name (Last, First, M) DORDY, JOHN					AKA		
Race W	Sex M	DOB	SSN	Height	Weight 0	Hair	Eyes	Age	Ethnicity Non-Hispanic	
Address							Driver License #	State	Home Phone	
Employer Name/Address							Cell Phone		Business Phone	

Type INVESTIGATIVE			Name (Last, First, M) BUDDEKE, IVO					AKA		
Race U	Sex M	DOB	SSN	Height 603	Weight 200	Hair BRO	Eyes GRN	Age 52	Ethnicity Non-Hispanic	
Address							Driver License #	State	Home Phone	
Employer Name/Address							Cell Phone		Business Phone	

Property

Description BLACK HP EXTERNAL HARDDRIVE			Serial Number		Make/Model HP	
Owner OLSEN, PATRICIA DIANE			License / State		Color	
Status STOLEN/ETC.	Status Officer (1143894) CROSWHITE, SARAH		Quantity 1.00	Units of Measure		Property Value \$75.00

Case Number: P12-11003



Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Notes/Narratives

NARRATIVE

Offense: First Degree Burglary
ARS Code: 13-1508A
Gang Related: No
Felony or Misdemeanor: Felony
Status: 15

Attachments:
Victim Rights

Synopsis:

On 06/21/2012 at approximately 1820 hours I took a report of burglary at 2126 S Tombaugh Way.

Narrative:

At 1759 hours on 06/21/2012 and while working with Adam squad as a uniform patrol unit, I was dispatched to 2126 S Tombaugh Way for a possible burglary.

Upon my arrival I contacted resident Patricia Olsen, whom I identified using her Arizona Drivers License. Olsen stated that when she had returned home that afternoon from grocery shopping the front door to her residence had been ajar.

When I asked if Olsen was sure that the door had been secured before she left, Olsen stated that her son had been the last to leave and he told her that the door had been locked.

I asked Olsen if anything had been taken from the residence and she stated that nothing appeared to be missing. Olsen did inform me that she had had a similar problem at another residence in Yavapai County where people had been entering her home to obtain business records from her home office.

Olsen took a cursory look around her office but was unable to ascertain if anything was missing. According to Olsen, the two men whom she had been having problems with were John Dordy and Ivo Buddeke. Olsen had no proof that these men had been into her home.

I asked if Olsen had any housekeeping staff or other parties that could have been in the house. Olsen stated that no one else had access to the residence.

As I was leaving, Olsen informed me that she had just gone to her son's room where she kept her HIP back up drive and the drive was missing. Olsen stated that she had stored the drive in the very back of her son's closet and in one of his shoes. Olsen informed me that unless people knew what they were looking for, they never would have found the drive. According to Olsen, no one ever knew that the drive was there.

Olsen estimated the value of the drive to be approximately \$75. I was unable to obtain any physical evidence from the residence due

Case Number: P12-11003



Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Notes/Narratives

to Olsen's contaminating any possible scenes prior to my arrival.

This case will be forwarded to detectives.

Officer: Croswhite/Turley
Badge#: 43894/65032
Supervisor: Sergeant Shantz

CONTINUATION

Case Number: P12-11003



Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Supplement Information

Supplement Date 01/24/2013 10:00:39	Supplement Type SUPPLEMENTAL COMPLETED	Supplement Officer RODRIGUEZ, MIKE H		
Contact Name		Common Place Name		
Case Status CLOSED/LEADS EXHAUSTED (20)		Forced Entry <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No	Felony/Misd/NC FELONY	DV Related N
Case Disposition		Connecting Reports 1. 2. 3. 4.		
Investigator Assigned RODRIGUEZ, MIKE H		Supervisor RODRIGUEZ, MIKE H		

Supplement Notes

Offense: Burglary
Assigned Status: 15
Disposition: 20

NARRATIVE:

I was assigned this case for follow-up. I reviewed the report which stated Patricia Olsen had returned home and the front door to her residence was open. Patricia checked around the residence including her office and was unable to tell if anything was missing. Patricia then stated there was an external hard drive missing. The hard drive was hidden in a shoe in the back of her son's closet. Patricia stated nobody ever knew the drive was hidden in the closet.

Patricia stated she had been having problems with a John Dordy and Ivo Buddeke. There is no additional information listed in the report for those two subjects.

I checked I-Leads and was unable to find any additional information.

I later checked I-Leads again and saw Patricia had filed a second report involving a violation of an Injunction. Officer Ryan was able to contact him and asked him about the possible violation.

I called Patricia on 07/14/2 and left a message asking her to contact me.

On 01/23/13, I called and left a message for Ivo to contact me. Ivo returned my call later in the day after I was off duty. I contacted on 01/24/13. I informed him I was calling in reference to an incident involving Patricia Olsen. I asked Ivo if he knew Patricia and he stated he did. I asked Ivo if he had ever been over to Patricia's residence. Ivo stated there was another ongoing criminal matter and he was told by his attorney Tom Kelly not to make any statements. I asked Ivo if he could say if the matter occurred in Yavapai County. Ivo stated it was. This was asked to ensure it was not involving the same matter I was calling in reference to.

Based on the information that nothing else is missing from the residence and nobody knew the hard drive was hidden, and the lack of further suspects. This case will be closed early case closure.

Case Number: P12-11003



Kevin Treadway
Chief of Police

Flagstaff Police Department

911 E. Sawmill Rd Flagstaff AZ 86001
(928)774-1414

Case Number: P12-11003

Incident/Investigation Report

Supplement Notes

Nothing Further.

Detective M. Rodriquez
Badge#: 604
Supervisor: Sgt. Coons

Case Number: P12-11003

(C-EX 105)

Linda C. Taunt

From: Judy Navarrete [jnavarrete@azwifa.gov]
Sent: Friday, January 29, 2010 4:29 PM
To: Michael A. Fulton; Linda C. Taunt
Cc: Kwame A. Agyare
Subject: RE: citizen complaint RE: Montezuma Rimrock Water Company

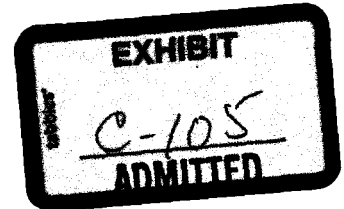
Since I wrote this I might as well send it.

I spoke with Yavapai County and I am concerned that no "Use Permit" has been issued. Yavapai County said the earliest that a use permit would be approved is March 15, 2010. The County wants the water company to mitigate some of the public complaints, such as the lack of screening, before they approve the Use Permit.

My concern is signing the loan documents that the company signed this morning, can the company go ahead with construction without a Use Permit for well #4.

In order to complete the system upgrades, the Company proposes to install the following:

- * Arsenic treatment system at 160 GPM
- * Grading and concrete slab at Well #1
- * Plumbing modifications & electrical upgrade
- * Water line interconnection with Well #1 & Well #4
- * New pump house
- * Radio telemetry



-----Original Message-----

From: Michael A. Fulton [mailto:Fulton.Michael@azdeq.gov]
Sent: Friday, January 29, 2010 3:56 PM
To: Judy Navarrete; Linda C. Taunt
Cc: Kwame A. Agyare
Subject: RE: citizen complaint RE: Montezuma Rimrock Water Company

Here's my extraction of the single paragraph of the ACC complaint relating to ADEQ:

"The water company provided water from Well #4 to a private company that was doing road improvements in the area on or about September 11, 2009. This occurred before the company received an Arizona Department of Environmental Quality permit known as "Approval to Construct" Well #4 and an ADEQ permit known as "Approval of Construction" for Well #4."

Guess we need to look into the timeline of our involvement.

So with everything lately being urgent, what is a true assessment of timeframe on your end Judy?

Mike

-----Original Message-----

From: Judy Navarrete [mailto:jnavarrete@azwifa.gov]
Sent: Friday, January 29, 2010 1:45 PM
To: Michael A. Fulton; Linda C. Taunt
Subject: FW: citizen complaint RE: Montezuma Rimrock Water Company
Importance: High

Mike and Linda

I need to meet with you concerning Rim Rock, Mr. Dougherty has sent me the complaint that was sent to ACC concerning Rim Rock.

The loan was to close today, I have not signed the loan documents, I want to talk to you and ACC first. Judy

-----Original Message-----

From: John Dougherty [mailto:jd.investigativemedia@gmail.com]
Sent: Friday, January 29, 2010 1:24 PM

Tq: Judy Navarrete
Subject: Fwd: citizen complaint RE: Montezuma Rimrock Water Company
fyi

----- Forwarded message -----

From: John Dougherty <jd.investigativemedia@gmail.com>
Date: Friday, January 22, 2010
Subject: citizen complaint RE: Montezuma Rimrock Water Company
To: mailmaster@azcc.gov

Greetings:

Please see the attached complaint and supporting documentation concerning ACC Notice of Decision #71317 and evidence of underpayment of property taxes.
Please send a response to me as soon as possible acknowledging receipt of this complaint.

Thanks,

John Dougherty
InvestigativeMedia.com
602-710-9433

--
John Dougherty
InvestigativeMedia.com
602-710-9433

NOTICE: This e-mail (and any attachments) may contain PRIVILEGED OR CONFIDENTIAL information and is intended only for the use of the specific individual(s) to whom it is addressed. It may contain information that is privileged and confidential under state and federal law. This information may be used or disclosed only in accordance with law, and you may be subject to penalties under law for improper use or further disclosure of the information in this e-mail and its attachments. If you have received this e-mail in error, please immediately notify the person named above by reply e-mail, and then delete the original e-mail. Thank you.



ORIGINAL

LC-EX 106

W-04254A-08-0361

W-04254A-08-0362

RECEIVED

704 South Main Street • Cottonwood, Arizona 86326 • Phone: 928/634-8880 • Fax: 928/634-6668

Arizona Corporation Commission

DOCKETED

JUN 15 2011

June 10, 2011

2011 JUN 15 P 2:17

AZ CORP COMMISSION
DOCKET CONTROL

Patricia Olsen
Montezuma Rimrock Water Company, LLC
4615 E Goldmine Rd
Rimrock, AZ 86335

DOCKETED BY

[Signature]

RE: \$165,000 term loan request

Dear Ms. Olsen,

In reviewing your company's financials there does not appear to be sufficient cash flow to debt service your loan request.

Typically, we like to see a debt service ratio of 1.25%.

As an example:

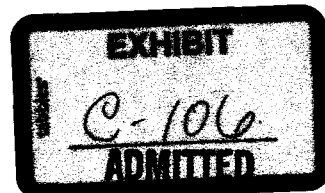
Loan amount of \$165,000
Amortized over 10 years
Interest rate of 7.5%
Estimated annual loan payments would be around \$23,503.

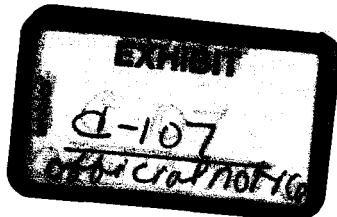
The income reported on your 2010 tax returns shows a net loss for the year and so there is no reported income to support this loan request. In order to meet the minimum cash flow requirements based on this example and your current negative cash flow you would need to increase your revenues by \$37,536 to support this request.

Please contact me at your convenience to discuss.

Sincerely,

[Signature]
Lori Marie Barlow
Vice President





ORIGINAL

BEFORE THE ARIZONA CORPORATION COMMISSION

COMMISSIONERS

2011 JUL 25 P 3: 06

DOCKETED

JUL 25 2011

GARY PIERCE - Chairman
BOB STUMP
SANDRA D. KENNEDY
PAUL NEWMAN
BRENDA BURNS

AZ CORP COMMISSION
DOCKET CONTROL

DOCKETED BY

[Signature]

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
RATE INCREASE.

DOCKET NO. W-04254A-08-0361

IN THE MATTER OF THE APPLICATION OF
MONTEZUMA RIMROCK WATER
COMPANY, LLC FOR APPROVAL OF A
FINANCING APPLICATION.

DOCKET NO. W-04254A-08-0362

PROCEDURAL ORDER

BY THE COMMISSION:

On October 30, 2009, the Commission issued Decision No. 71317, establishing permanent rates for Montezuma Rimrock Water Company, LLC ("Montezuma Rimrock") and authorizing Montezuma Rimrock to incur long-term debt in the form of a Water Infrastructure Finance Authority of Arizona ("WIFA") loan in an amount up to \$165,000, for the purpose of completing an arsenic treatment project as described in the Decision. *Inter alia*, Montezuma Rimrock was also ordered to make the following filings with the Commission by the following dates:

Deadline	Compliance Filing
December 31, 2009	Arizona Department of Environmental Quality ("ADEQ") Certificate of Approval of Construction ("AOC") for Well #4
April 30, 2010	ADEQ AOC for arsenic treatment project
May 31, 2012	Rate application using test year ending December 31, 2011
60 days after executing documents finalizing the WIFA Loan	Arsenic remediation surcharge application requesting approval of surcharge to provide funds to meet principal and interest obligations on WIFA loan
60 days after executing documents finalizing the WIFA Loan	Copies of each executed loan document or agreement setting forth the terms of the financing obtained

On November 24, 2009, a copy of an ADEQ Certificate of Approval to Construct ("ATC") was filed for Well #4, on which ADEQ indicated that Well #4's water exceeds the maximum

1 contaminant level ("MCL") for arsenic and that an AOC for the Well will not be issued until
2 acceptable water quality data has been submitted.

3 On December 11, 2009, Montezuma Rimrock filed a letter requesting that the filing deadline
4 for the AOC for the Well be extended to June 30, 2010, because Montezuma Rimrock would not be
5 able to obtain an AOC until after completing installation of the arsenic treatment system.

6 On February 3, 2010, the Commission's Utilities Division ("Staff") filed a Memorandum
7 stating that Staff agreed that Montezuma Rimrock would be unable to obtain an AOC for the Well
8 without an AOC for the arsenic treatment system and, further, that Staff did not object to the
9 requested extension to June 30, 2010, to file the AOC for the Well.

10 On February 11, 2010, a Recommended Order that would have granted the requested
11 extension was issued by the Hearing Division, for consideration at the Open Meeting of March 2 and
12 3, 2010.

13 On February 19, 2010, John E. Dougherty III, of Rimrock, Arizona, filed extensive objections
14 to the Recommended Order.

15 On February 26, 2010, Staff issued a letter to Montezuma Rimrock expressing concern about
16 Montezuma Rimrock's lack of compliance with the MCL for arsenic and requesting that Montezuma
17 Rimrock submit to Staff, within 60 days, a detailed plan addressing and remediating the arsenic issue,
18 explaining why Montezuma Rimrock declined to sign an ADEQ Consent Order related to the arsenic
19 issue, and describing what actions Montezuma Rimrock had taken to date to comply with the Consent
20 Order. The letter stated that if no plan were submitted within 60 days, the issue would be referred to
21 the Commission's Legal Division for possible enforcement action.

22 At the Open Meeting of March 2 and 3, 2010, the Commission allowed public comment
23 regarding the Recommended Order, discussed the Recommended Order, and disapproved the
24 Recommended Order.

25 On April 5, 2010, Montezuma Rimrock filed a letter in response to Staff's letter, including a
26 description of steps already taken and being taken by Montezuma Rimrock to come into compliance
27 with ADEQ. Montezuma Rimrock included a copy of an ADEQ Compliance Order issued on
28 February 25, 2010, for which Montezuma Rimrock stated it had requested a hearing and an informal

1 settlement conference with ADEQ.

2 On April 13, 2010, Mr. Dougherty filed a copy of a Yavapai County Superior Court
3 Complaint, filed on April 7, 2010, in *Dougherty v. Yavapai County Board of Supervisors*, Docket No.
4 P1300CV201000585 ("Lawsuit"). The Complaint requested reversal of the Yavapai County Board
5 of Supervisors' ("Board's") March 15, 2010, approval of a Use Permit and Screening Variance to
6 allow Montezuma Rimrock to operate Well #4 on residential parcel 405-25-517.

7 On October 1, 2010, a White Paper regarding wells and water use near Montezuma Well
8 National Monument was filed.

9 On October 7, 2010, public comments were filed by a former board member of Montezuma
10 Estates Property Owners Association ("MEPOA"). A petition with the signatures of 102 "property
11 owners and/or residents within Montezuma Estates," expressing support for Montezuma Rimrock,
12 was also filed.

13 On January 24, 2011, Montezuma Rimrock filed a request, pursuant to A.R.S. § 40-252, to
14 have the Commission amend Decision No. 71317 to allow Montezuma Rimrock to seek funding from
15 a private financial institution, with terms and prevailing interest rates of the financial institution.
16 Montezuma Rimrock asserted that such an amendment would allow Montezuma Rimrock to meet an
17 ADEQ Consent Order requirement to have its arsenic treatment facility completed by June 2011.
18 Montezuma Rimrock asserted that the Environmental Impact Statement required by WIFA for its
19 loan would take one to two years to complete with an estimated cost in excess of \$100,000.

20 On February 10, 2011, Staff issued a Status Report on Montezuma Rimrock, providing
21 information regarding Montezuma Rimrock's status with ADEQ and WIFA, stating that Montezuma
22 Rimrock was seriously attempting to fulfill its arsenic treatment mandate to comply with ADEQ and
23 the Commission and that Staff was not recommending any action¹ at that time. Staff noted that
24 Montezuma Rimrock's A.R.S. § 40-252 request was pending possible Commission action.

25 On March 14, 2011, Mr. Dougherty filed extensive comments in opposition to Montezuma
26 Rimrock's A.R.S. § 40-252 request. Mr. Dougherty asserted that the Commission should set an
27

28 ¹ Due to the context, this is understood to mean that Staff was not recommending any adverse action at that time.

1 Order to Show Cause hearing to consider revoking Montezuma Rimrock's Certificate of
2 Convenience and Necessity ("CC&N").

3 On April 7, 2011, Mr. Dougherty filed a letter formally requesting to be included on the
4 service list for "all documents and notifications of hearings or any other proceedings involving the
5 Montezuma Rimrock Water Company." Mr. Dougherty included several attachments to his letter,
6 including documents from the U.S. Environmental Protection Agency ("EPA"); AZTEC Engineering,
7 Arizona LLC; the U.S. Department of the Interior National Park Service; and the Arizona Game and
8 Fish Department.

9 From April 22 through 26, 2011, five comments were filed by Montezuma Rimrock
10 customers expressing support for funding of the arsenic treatment plant.²

11 On April 27, 2011, e-mail correspondence between Mr. Dougherty and Commission
12 personnel were filed. In the e-mails to Commission personnel, Mr. Dougherty asserted that action
13 should be taken against Montezuma Rimrock to stop construction of a pipeline to link Well #4 to the
14 location for the arsenic treatment plant.

15 On April 27, 2011, at the Commission's Staff Open Meeting, the Commission voted to reopen
16 Decision No. 71317 pursuant to A.R.S. § 40-252 to determine whether to modify the decision
17 concerning financing approval and related provisions. The Commission directed the Hearing
18 Division to schedule a procedural conference to discuss the process for the A.R.S. § 40-252
19 proceeding. Montezuma Rimrock attended the Staff Open Meeting via teleconference, and Mr.
20 Dougherty attended in person.

21 On April 28, 2011, a Procedural Order was issued scheduling a procedural conference for
22 May 16, 2011, at the Commission's offices in Phoenix, Arizona.

23 On May 10, 2011, Montezuma Rimrock filed a letter with numerous attachments, including a
24 Declaration of Patricia Olsen, owner of Montezuma Rimrock, apparently made for purposes of the
25 Lawsuit, in which it appears Montezuma Rimrock is now named as a party defendant.

26 On May 11, 2011, another customer comment was filed in support of the arsenic treatment
27

28 ² The comments appear to have been received by the Commission's Consumer Services Section on April 21 and 22, 2011.

1 project.

2 On May 16, 2011, a procedural conference was held at the Commission's offices in Phoenix,
3 Arizona. Montezuma Rimrock appeared through Ms. Olsen, and Staff appeared through counsel.
4 Ms. Olsen stated that Montezuma Rimrock had an attorney to represent it, but that the attorney was
5 unable to attend. Jodi Jerich, Director of the Residential Utility Consumer Office ("RUCO")
6 attended, but stated that RUCO currently was just monitoring the case. Ms. Olsen indicated that
7 Montezuma Rimrock had applied for financing from a single financial institution, but did not know
8 when a decision on the application would be forthcoming. Staff indicated that it did not yet have the
9 information necessary to produce a Staff Report because Montezuma Rimrock did not yet have a firm
10 proposal for financing through a financial institution. Staff suggested that Montezuma Rimrock be
11 required to make a filing in three weeks to provide the information for Staff to analyze for the Staff
12 Report, which would be issued four weeks later. Staff indicated that customer notice at that point
13 would not be valuable because it was not yet apparent what the financing information would be. It
14 was determined that a Procedural Order would be issued to establish the filing deadlines for
15 Montezuma Rimrock and Staff.

16 On May 16, 2011, a Procedural Order was issued requiring Montezuma Rimrock to file, by
17 June 16, 2011, an update regarding its financing application with the financial institution referenced
18 during the procedural conference, which update was to identify the financial institution; completely
19 describe the terms of the financing requested; provide the status of the application; and if the
20 application had been disapproved, describe the alternate arrangements Montezuma Rimrock was
21 exploring to finance the arsenic treatment facilities for its system or any other actions Montezuma
22 Rimrock intended to explore or to take to remedy its arsenic MCL exceedance. The Procedural Order
23 also required Staff to file, by July 18, 2011, a Memorandum analyzing the information provided by
24 Montezuma Rimrock and making recommendations as to notice and whether a hearing should be
25 held. The Procedural Order required the Memorandum to be a full Staff Report if the financing
26 application had been approved by a financial institution. The Procedural Order further required
27 Montezuma Rimrock's counsel to file an appearance and established a deadline and requirements for
28 Motions to Intervene and responses thereto.

1 On June 9, 2011, Mr. Dougherty filed a letter requesting intervention.

2 On June 14, 2011, Mr. Dougherty amended the June 9, 2011, filing to request that a public
3 hearing be held in this matter. Mr. Dougherty did not specify for what purpose a hearing should be
4 held.

5 On June 15, 2011, a public comment was filed by Karlene Voepel, a resident of Montezuma
6 Estates and Montezuma Rimrock customer, regarding events allegedly occurring at a MEPOA
7 meeting in January 2010 and for several weeks thereafter.

8 On June 15, 2011, Montezuma Rimrock filed a June 10, 2011, letter to Montezuma Rimrock
9 from Sunwest Bank stating that Sunwest Bank had determined that Montezuma Rimrock does not
10 appear to have sufficient cash flow to service the debt for its requested \$165,000 loan. Montezuma
11 Rimrock's filing did not include any other information.

12 On June 29, 2011, because Montezuma Rimrock's filing had not provided all of the
13 information required by the prior Procedural Order, it appeared that Staff would not have sufficient
14 information to make a meaningful filing, and it was unclear for what purpose Mr. Dougherty had
15 requested a hearing, a Procedural Order was issued suspending the requirement for Staff to make a
16 filing by July 18, 2011, and scheduling a procedural conference to be held on July 22, 2011. The
17 Procedural Order also granted intervention to Mr. Dougherty.

18 On July 20, 2011, Mr. Dougherty filed a Motion Seeking Order Directing Commission Staff
19 to Prepare an Order to Show Cause Hearing to Revoke Montezuma Rimrock Water Company LLC's
20 Certificate of Convenience and Necessity ("Motion"), which included copies of several records from
21 Yavapai County; excerpts from Montezuma Rimrock's 2008, 2009, and 2010 Annual Reports filed
22 with Staff; a map showing Lot 500 of Lake Montezuma Estates Unit 2 and the immediately
23 surrounding lots; an excerpt from the Yavapai County Water Well Code; an April 5, 2011, letter from
24 Yavapai County Development Services to Montezuma Rimrock; excerpts from a transcript of an
25 April 21, 2011, oral argument in the Lawsuit; and Plaintiffs' Notice of Filing Supplemental Evidence,
26 filed April 21, 2011, in the Lawsuit.

27 On July 21, 2011, counsel for Montezuma Rimrock filed a Notice of Appearance.

28 On July 22, 2011, a procedural conference was held as scheduled at the Commission's offices

1 in Phoenix, Arizona. Montezuma Rimrock and Staff appeared through counsel, and Mr. Dougherty
2 appeared on his own behalf.³ Montezuma Rimrock explained that of the five financial institutions to
3 which it has applied for a loan, only Sunwest Bank has not denied a loan outright. Montezuma
4 Rimrock hopes to obtain a Small Business Administration ("SBA") loan from Sunwest Bank and
5 requested additional time to be able to do so. Montezuma Rimrock also indicated that it would like to
6 file an application for an emergency rate increase to enhance the likelihood of its receiving the SBA
7 loan.⁴ Mr. Dougherty explained that he believes a hearing is necessary in this proceeding because he
8 believes that Montezuma Rimrock's actual financial condition is not known and that Montezuma
9 Rimrock may not need to obtain a loan for the entire \$165,000 as it has asserted. Mr. Dougherty also
10 explained why he believes that an Order to Show Cause should be initiated against Montezuma
11 Rimrock immediately.⁵ Staff explained that it does not currently intend to initiate an Order to Show
12 Cause and expressed a willingness to give Montezuma Rimrock additional time to explore the SBA
13 loan, pointing out that ADEQ has extended Montezuma Rimrock's deadline to come into compliance
14 with the arsenic MCL. Staff also agreed to docket a letter sent to Montezuma Rimrock directing it to
15 cease collecting an unauthorized arsenic surcharge.⁶ It was determined that Montezuma Rimrock
16 would be provided another 60 days to make a filing providing its plans to finance the arsenic
17 treatment facilities.

18 Also on July 22, 2011, Commissioner Paul Newman filed a Memorandum stating that the
19

20 ³ Initially, Mr. Dougherty was detained by the security guard at the entrance of the Commission building because the
21 security guard had been provided a copy of an Amended Injunction Against Harassment ("Injunction") issued by the
22 Verde Valley Justice Court in Cottonwood on July 18, 2011, which generally prohibits Mr. Dougherty from having
23 contact with Ms. Olsen. Mr. Dougherty was then permitted to proceed to Room 100 at the Commission's offices, where
24 he was provided the capability electronically to see, hear, and participate in the proceedings in Hearing Room No. 1 while
25 the Administrative Law Judge elicited from Montezuma Rimrock and Staff their belief that Mr. Dougherty's presence and
26 participation in Hearing Room No. 1 would not violate the Injunction (because the proceeding was a "public meeting"
27 under the Injunction) and, further, that Mr. Dougherty's cross-examination of Ms. Olsen during an evidentiary hearing
28 would not violate the Injunction (because a Commission hearing would also be a "public meeting" under the Injunction).
After Montezuma Rimrock and Staff made these assertions, Mr. Dougherty came to Hearing Room No. 1 to participate in
the procedural conference in person. A copy of the Injunction, redacted to eliminate residential addresses and birthdates,
has been docketed by the Hearing Division.

⁴ Montezuma Rimrock was informed that an application for an emergency rate increase would need to be filed in a new docket.

⁵ Mr. Dougherty was informed that A.R.S. § 40-246 allows any person to file a formal complaint against a public service corporation. Mr. Dougherty was also informed that any formal complaint would need to be filed in a new docket.

⁶ Montezuma Rimrock asserted that the surcharge had been collected due to a misunderstanding between it and Staff and further asserted that all of the surcharge revenue collected had been refunded.

1 Montezuma area is a holy ground to both the Hopi and Navajo people and urging that an evidentiary
2 hearing be ordered in this case given the sensitivities.

3 It is now reasonable and appropriate to issue a Procedural Order memorializing the deadline
4 for Montezuma Rimrock to make its filing describing how it will finance the arsenic treatment
5 facilities for its system or, alternatively, how and when it will remedy its system's arsenic MCL
6 exceedance. Further, it is reasonable and appropriate to memorialize Staff's obligation to file a copy
7 of the letter regarding the unauthorized arsenic surcharge and to require Staff, in addition, to make a
8 filing shortly after Montezuma Rimrock's filing providing Staff's determination whether Montezuma
9 Rimrock has provided sufficient information for Staff to make a substantive recommendation
10 concerning whether Decision No. 71317 should be modified under A.R.S. § 40-252 as to financing
11 approval and related provisions and, further, proposing a procedural schedule for the remainder of
12 this matter. It is also reasonable and appropriate to require Montezuma Rimrock and Mr. Dougherty
13 to file responses to Staff's filing and to propose procedural schedules.

14 IT IS THEREFORE ORDERED that Staff shall, by August 15, 2011, file a copy of the letter
15 sent to Montezuma Rimrock regarding the collection of the unauthorized arsenic surcharge.

16 IT IS FURTHER ORDERED that Montezuma Rimrock shall, by September 22, 2011, file
17 a document explaining **in detail** how the arsenic treatment facilities necessary to bring its system's
18 water into compliance with the MCL for arsenic will be financed **and providing copies** of all
19 documents necessary to obtain a full understanding of any financing to be obtained from any entity.
20 **If Montezuma Rimrock is not to obtain financing** from a financial institution or another entity,
21 Montezuma Rimrock shall explain **in detail** how and when Montezuma Rimrock will remedy its
22 system's arsenic MCL exceedance.

23 IT IS FURTHER ORDERED that Staff shall, by September 30, 2011, make a filing
24 indicating whether Montezuma Rimrock has provided sufficient information for Staff to make a
25 substantive recommendation in this case regarding whether the Commission should modify Decision
26 No. 71317 concerning financing approval and related provisions **and, further, proposing a**
27 **procedural schedule** for the remainder of this matter.

28 IT IS FURTHER ORDERED that Montezuma Rimrock and Mr. Dougherty each shall, by

1 **October 7, 2011, make a filing responding to Staff's filing and proposing a procedural schedule**
2 **for the remainder of this matter.**

3 IT IS FURTHER ORDERED that all parties must comply with Arizona Supreme Court Rules
4 31 and 38 and A.R.S. § 40-243 with respect to the practice of law and admission *pro hac vice*.

5 IT IS FURTHER ORDERED that the Ex Parte Rule (A.A.C. R14-3-113 - Unauthorized
6 Communications) applies to this proceeding and shall remain in effect until the Commission's
7 Decision in this matter is final and non-appealable.


8 IT IS FURTHER ORDERED that any motion filed in this matter that is not ruled upon by the
9 Commission within 20 calendar days of the filing date of the motion shall be deemed denied.

10 IT IS FURTHER ORDERED that any response to a motion other than a Motion to Intervene
11 shall be filed within five calendar days after the filing date of the motion.

12 IT IS FURTHER ORDERED that withdrawal of representation must be made in compliance
13 with A.A.C. R14-3-104(E) and Rule 1.16 of the Rules of Professional Conduct (under Arizona
14 Supreme Court Rule 42). Representation before the Commission includes appearing at all hearings,
15 procedural conferences, and Open Meetings at which the matter is scheduled for discussion, unless
16 counsel has previously been granted permission to withdraw by the Administrative Law Judge or the
17 Commission.

18 IT IS FURTHER ORDERED that the Administrative Law Judge may rescind, alter, amend,
19 or waive any portion of this Procedural Order either by subsequent Procedural Order or by ruling at
20 hearing.

21 DATED this 25th day of July, 2011.

22
23 
24 SARAH N. HARPRING
25 ADMINISTRATIVE LAW JUDGE
26
27
28

1 Copies of the foregoing mailed/delivered
2 this 25TH day of July, 2011, to:


3 Douglas C. Fitzpatrick
4 LAW OFFICE OF DOUGLAS C. FITZPATRICK
49 Bell Rock Plaza
5 Sedona, AZ 86351
Attorney for Montezuma Rimrock Water Company, LLC

6 Patricia D. Olsen, Manager
7 MONTEZUMA RIMROCK WATER COMPANY, LLC
P.O. Box 10
8 Rimrock, AZ 86335

9 John Dougherty
P.O. Box 501
10 Rimrock, AZ 86335

11 Janice Alward, Chief Counsel
Legal Division
12 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
13 Phoenix, AZ 85007

14 Steven M. Olea, Director
Utilities Division
15 ARIZONA CORPORATION COMMISSION
1200 West Washington Street
16 Phoenix, AZ 85007

17 By: 
18 Debra Broyles
19 Secretary to Sarah N. Harpring
20
21
22
23
24
25
26
27
28

C-EX109

IN THE VERDE VALLEY JUSTICE COURT OF ARIZONA
FOR THE COUNTY OF YAVAPAI

Patricia Olsen,

Petitioner,

VS.

JOHN DOUGHERTY, III,

Respondent.

CASE NUMBERS:

J-1302-CV-201103222

J-1302-CV-201103253

TRANSCRIPTION OF:

Hearing Before Pro Tem Judge Joan Dwyer
May 23, 2012



TRANSCRIBED BY:
Christina M. Arias

LOTT REPORTING, INC.

316 NORTH ALARCON STREET
PRESCOTT, AZ 86301
928.776.1169
www.lottreporting.com

1 [RECORDING COMMENCES]

2 THE COURT: All right. Let me call this. This is
3 Verde Valley Justice Court, John E. Dougherty, the third, vs.
4 Patricia Diane Olsen. This is Plaintiff's petition for an
5 injunction against harassment. Case number CV201203253.
6 Today's date is May 23rd, 2012. The time is 8:52 a.m.

7 Mr. Dougherty, would you raise your right hand and be
8 sworn?

9 THE CLERK: Do you swear or affirm, upon the penalty
10 of perjury, that the information set forth in your petition and
11 your testimony you are about to give is the truth, the whole
12 truth and nothing but the truth?

13 MR. DOUGHERTY: I do.

14 THE COURT: All right.

15 JOHN E. DOUGHERTY, III,
16 a witness herein, having been first duly sworn was examined
17 and testified as follows:

18 EXAMINATION BY THE COURT:

19 Q. State your name for the record, please.

20 A. John Edward Dougherty, the third.

21 Q. Okay. Now, tell me what's going on?

22 A. May I pre- --

23 Q. Give me a little bit of background.

24 A. -- present you with the police report, Your Honor?

25 Q. Sure. And go ahead and tell me why that's pertinent.

1 A. Uh, last Wednesday - I believe it was Wednesday - I
2 filed an injunction -- motion for an injunction with the
3 Corporation Commission concerning her well operation. As you
4 know, I am an intervener and a complainant at the Commission.
5 About 6:30 that evening, I rode my motorcycle up to this
6 particular well site to observe construction that I believe
7 was improper. While on my motorcycle, I looked at it, and I
8 turned my motorcycle around, and, at that point, I saw
9 Mrs. Olsen charging up the road towards me.

10 Q. Walking, running?

11 A. Running.

12 Q. Okay.

13 A. I maintained position on my motorcycle with my helmet
14 on and visor down, because I was concerned she was running at
15 me. She -- she came up and stopped to my left about - I don't
16 know - arm's length, maybe a little further, three feet, and
17 yelled at me and used profanity. Stay the fuck away from me,
18 you son of a bitch.

19 Q. Okay.

20 A. Okay. And I say nothing, and I look at her, and I,
21 you know, move the bike around and ride down the hill, and I
22 go back home. And I went up to the well site, because you
23 specifically said I could take photographs of the well site if
24 I didn't see her around. Well, she wasn't present. She made
25 herself present.

1 Q. So you left?

2 A. So I immediately left, and I went home and I called
3 YCSO, because this is just the latest in a whole series of
4 efforts by Ms. Olsen to have me arrested for violating the
5 injunction. So I call up the YCSO, and they come over, and I
6 tell them the story, and then he asked me to get on the
7 motorcycle and he wants to inspect the bike. I say, sure. He
8 inspects the bike, and then he later tells me that Ms. Olsen
9 alleged that I had struck her with the bike, with the handle
10 bar and the saddle bag. So now I'm really like going, this is
11 really getting beyond -- first she charges me, she swears at
12 me in the middle of a public road, and then she alleges I hit
13 her with the bike.

14 As you can see from the police report, it's a few
15 pages. The officer conducted investigation. He looked at the
16 tire tracks on the road, and he concluded -- and he inspected
17 my bike, and he interviewed me, and he concluded that I never
18 struck her, because I never did. I never struck her with the
19 motorcycle. It's unbelievable. When you read this police
20 report, they are ask- -- her husband, other neighbors, they're
21 all demanding that I be arrested, and if they don't arrest me,
22 they're going to call the justice department, and all this
23 stuff.

24 Now, simultaneous to this, Your Honor, about a week
25 ago -- maybe two -- no, three weeks ago, Yavapai County

1 Development Services revoked the use permit for one of their
2 wells, a crucial well that I have been opposing for two and a
3 half years. They are infuriated. First of all, two and a
4 half years ago, I got a major state subsidized loan revoked
5 because they lied on their application to the government, and
6 the agency revoked it. Now, because they have drilled this
7 well without -- in violation of the Yavapai County water code,
8 the county revoked their use permit. They have no right to
9 use that. And this is going through the appeal process, and
10 there's a hearing before the board of supervisors June 18th.

11 And as part of their effort to use this injunction
12 as a sword -- may I approach the bench and provide you another
13 exhibit?

14 Q. Sure.

15 A. Her attorney submitted this letter to the Board of
16 Supervisors, and if you look at the footnote on the bottom of
17 the page, page one, this is an appeal, requesting that
18 the -- that the -- the revocation of the use permit be
19 rescinded. And then you see in there, they immediately segue
20 into a long dissertation --

21 Q. Yeah, but wait. You have a pending law suit now in
22 Superior Court?

23 A. I -- I've had that since March 2010, Your Honor.

24 Q. Okay. All right. So that's nothing new?

25 A. No.

1 Q. Okay.

2 A. But as you see down on the footnote, they start to
3 bring up the injunction. This is a --

4 Q. It says: Setback requirements of the water well code
5 are construed by the Court to be valid.

6 A. Oh, I'm sorry. Page one, footnote one, Your Honor.

7 Q. Okay. Okay. All right.

8 A. And on the second page of that footnote, he alleges
9 that I was arrested in December.

10 Q. Yeah.

11 A. I was not arrested. What that stems from is that
12 Ms. Olsen had told -- made filings at the Corporation
13 Commission, alleging that I was against her because I called
14 her a --

15 Q. I -- I remember --

16 A. -- stupid, Mexican woman.

17 Q. I remember that.

18 A. Remember, I appeared before you and plead not guilty?
19 Well, the County Attorney dropped that case, and I had sent
20 her an e-mail demanding she cease and desist from making
21 public statements and filings that I allegedly said she was a
22 stupid, Mexican woman, and that's why I was opposed to her.
23 This was denigrating me. I'm a professional journalist. I
24 don't -- I can't have those types of things hanging around on
25 me.

1 Q. Okay.

2 A. So they're using this as a --

3 Q. All right. Let's get back --

4 A. -- sword here.

5 Q. -- to the injunction here.

6 A. Okay.

7 Q. So -- all right.

8 A. Thank you.

9 Q. So what are you asking the Court?

10 A. Well, my original intent to ask the Court was to keep
11 her away from me, because now she's approaching me, and then
12 claiming I committed felonies. This is serious, in my view,
13 and I think she's coming unhinged, Your Honor. She's under a
14 lot of pressure, and she's making repeatedly false statements
15 to law enforcement in an attempt to have me arrested for
16 nothing.

17 And if I may, Your Honor, I have another police
18 report, not associated with me, but where she filed a false
19 statement. I could present that to you with --

20 Q. How many times has she -- has this actually occurred?

21 A. What --

22 Q. That you've had -- that there's been contact?

23 A. Well --

24 Q. Because as you know, with an injunction, I need a
25 series of events.

1 A. Right. Well, we have --

2 Q. This is actually just one.

3 A. I know.

4 Q. Even though --

5 A. Well, we have the event from last summer, Your Honor,
6 where she submitted the injunction and the harassment order to
7 the Corporation Commission at the desk that barred me from
8 entering into the thing for 45 minutes, and cast me in a
9 really bad light with the Commission.

10 We have incidents where she -- I was in a restaurant
11 in McGuireville with my son, and sat down, and then she
12 happened to be in the restaurant, you know, across the room.
13 The owner of the restaurant, she waved him over. The owner
14 came over and told me, there's an injunction; you need to
15 leave. I got up and left. She called the police and tried to
16 make a big incident out of that, alleging that as I was
17 leaving, I called her a bitch. I never talked to her. I
18 didn't even look at her.

19 I have done everything I can to avoid this person
20 like the plague, because, to me, she is the plague. I do not
21 want any contact with her.

22 If she happens to see me, I have police reports here,
23 showing that she calls the police.

24 Q. Okay. How is this going to pan out, since you are a
25 journalist and, obviously, this is one of your stories?

1 A. I am not writing this as a story.

2 Q. What are you --

3 A. My -- my goal, Your Honor --

4 Q. I know in the beginning you were worried that their
5 well would compromise your well, because you are not a
6 customer of the water company.

7 A. The -- that's one issue. The issue that got us
8 involved with this is that when I bought my property up there,
9 I bought it because of the creek and Montezuma Well national
10 monument. This well threatens both, their commercial well.
11 And they drilled it on a parcel that doesn't meet the water
12 code.

13 So all I've been doing as a citizen, not as my
14 profession, is intervening and bringing to the attention to
15 the proper authorities, whether it's the water -- Arizona
16 Water Infrastructure Financing authority, the Corporation
17 Commission, or the Board of Supervisors, or Superior Court,
18 that this well site is illegal. That's all I'm trying to do.
19 And they have retaliated with this unbelievable series of
20 accusations that now [indiscernible] where they allege I
21 struck her with a motorcycle. What's next, Your Honor?

22 Just a week ago, my neighbor, Ivo Buddeke, who --
23 who has been in here, and he's opposed to the well, and I have
24 the police report. She alleged that Ivo drove by her house
25 three times, and stared at her menacingly. The only problem

1 was is that Ivo was in San Francisco. He wasn't even there.

2 Q. And there are no witnesses to any of this?

3 A. Yeah. There's -- to --

4 Q. No, I mean, obviously, being in San Francisco, there's
5 a witness, but does she have any witnesses to corroborate --

6 A. No.

7 Q. -- her story?

8 A. No. And I've got the police report here, too. She's
9 making stuff up out of whole cloth, because she's desperate.
10 I mean, I -- I will admit that the efforts that I have done
11 has caused her business, you know, some heartache, but she
12 made a bad business decision when she put the well in an
13 improper parcel, and that's just the way it goes. I have
14 nothing personal -- I've never had any relationship with this
15 woman whatsoever, other than in her role as the water company.

16 Q. You know, we talked about, repeatedly, the fact that
17 if you are -- let's say, [indiscernible] other people. I
18 don't know if it was specified here. I guess I should make
19 that [indiscernible.] You can be in the same restaurant
20 together.

21 A. No. She calls the police. I've got the police report.

22 Q. You -- you don't -- you can be in the grocery store
23 together. You just cannot have contact.

24 A. Right.

25 Q. This is a small community. It is impossible to get --

1 and with both of you living over in Rimrock, I mean --

2 A. Right.

3 Q. -- it's even smaller. You can't --

4 A. We're going to run into each other.

5 Q. -- get away from one another, but -- but contact is
6 what it's all about. Obviously, I wouldn't recommend sitting
7 next to one another, or back to back, at a restaurant table.
8 I -- I -- you know --

9 A. I -- I completely understand.

10 Q. I'd ask for a table in the corner, but both of you can
11 be in the same room.

12 A. I -- I completely understand, Your Honor, and I have
13 done everything I can to abide by the Court's orders from last
14 summer.

15 Q. All right.

16 A. But I am getting pounded by her left and right with
17 false allegations in the -- at the Corporation Commission. I
18 can bring in documents to show that she made these false
19 statements about me at the Commission. I can --

20 Q. We're set for a modification on hers.

21 A. Right.

22 Q. How about we just consolidate this and also talk about
23 this when we have that?

24 A. Well, my main --

25 Q. Because I -- it's -- what's going to happen is --

1 A. Yeah. I mean --

2 Q. -- is there's going to be a hearing --

3 A. Right.

4 Q. -- afterwards, so I would -- I would prefer just to
5 kind of get both sides of the story on the table.

6 A. Yeah.

7 Q. And that way --

8 A. I have -- I have no problem with that, Your Honor.

9 Q. All right.

10 A. I -- I would like -- may I point out one thing?

11 Q. Okay. We -- yeah, okay. So we got to be out of here
12 by 9:30.

13 A. Okay.

14 Q. Let's see if she's ready to go. So we're going
15 to -- I'm going to basically continue this matter as soon as
16 Ms. Olsen is present on this other matter forthcoming.

17 THE COURT: Off the record. Recess, and let's
18 get --

19 [INTERRUPTION IN THE RECORDING]

20 THE COURT: And this is case number CV201203222,
21 Patricia Olsen vs. John Dougherty, the third. This is
22 Plaintiff petitioning for a modification on her injunction
23 against harassment. Today's date is May 23, 2012. The time
24 is 9:07 a.m.

25 All right. Ms. Olsen, would you raise your right

1 hand and be sworn?

2 THE CLERK: Do you swear or affirm -- excuse me. Do
3 you swear or affirm, upon the penalty of perjury, the testimony
4 you are about to give will be the truth, the whole truth and
5 nothing but the truth?

6 MS. OLSEN: Yes, I do.

7 PATRICIA OLSEN,
8 a witness herein, having been first duly sworn was examined
9 and testified as follows:

10 EXAMINATION

11 BY THE COURT:

12 Q. Okay. State your name, please.

13 A. Patricia Olsen.

14 Q. All right. You're asking this Court for a
15 modification, correct?

16 A. Yes.

17 Q. All right. What do you want modified and why?

18 A. I would like the distance that Mr. Dougherty is to
19 keep, because I called and the police officers say that near.
20 is not a -- a definite amount of distance that he should be
21 from me -- keep from me. It's vague, and that I should --
22 they request a -- suggested that I come in, and ask for an
23 amendment to the injunction, that it be modified so that it
24 reads 200 feet, 500 feet, whatever the -- what you -- whatever
25 you designate.

1 Q. Okay. And what has brought this up? I mean, why is
2 that important now?

3 A. Because on -- the -- I actually have called on a
4 couple of occasions, and Mr. Dougherty has -- well, for
5 instance, on March 25th, I was at the El Patio restaurant.
6 Mr. Dougherty walked in. He knew I was -- that I was in there,
7 because I was facing the -- I was up against the window. I
8 looked back, and he looked right at me. He walked in, made
9 sure he turned the other direction. He went and he sat down
10 13 feet away from me. I told the waiter that I had an
11 injunction of harassment, and at the time, I believed he could
12 not be there.

13 Q. And that is wrong. Where do you get that? Where do
14 you get the fact that he can't be in the same room as you?

15 A. Well, I thought that he's not to be near me, so I
16 assumed that that's what that meant.

17 Q. Well, it's -- it's a contact, so it's -- it's about
18 near you in terms of doing something for you, but that doesn't
19 preclude him from being in the same restaurant or grocery
20 store or any place else.

21 A. Well, thank you. I was not aware of that.

22 Q. Okay. Continue.

23 A. And then on -- just this last Wednesday, Mr. Dougherty
24 came up to my well site. He had to pass my office in order to
25 get there. I had just got [sic] my equipment in. He's been

1 trying to prevent me from getting, you know, my equipment
2 operating, and I stopped in the -- not just in the --

3 Q. Okay. Wait. Okay. How is he -- how has he been
4 trying to stop your equipment from operating?

5 A. He's been filing objections and retraining orders with
6 the Arizona Corporation Commission.

7 Q. Okay. So he's been going through a legal process?

8 A. Right.

9 Q. All right. So -- and you don't like that?

10 A. He can do what he wants. That's not the issue. The
11 issue is I -- I -- I'm interpreting this as him being near me,
12 near my office, but what's the distance? I mean, is there
13 like a designated distance that he should stay away from me?

14 Q. Here's the problem with distance: We don't walk
15 around with tape measures, and to say, you have to keep a
16 distance of 50 feet or 200 feet, becomes very arbitrary,
17 believe it or not, because no one can actually gauge that. It
18 would be your word to the officer to say, well, he was less
19 than 50 feet from me. You don't know. And prosecutors don't
20 like it, because there is -- there's nothing tangible that you
21 can actually say, where were you. Obviously, if he was in
22 this room, you could measure the room, and you could determine
23 it that way. But short of that, it becomes very, very
24 problematic.

25 A. Okay.

1 Q. You know, the other thing, too, is if he is at a
2 location first, and then you come, you know, that doesn't mean
3 that he is in violation of that. Does that make sense?

4 A. Yes.

5 Q. I mean, it's like if you approach him, um --

6 A. I didn't approach him, though.

7 Q. -- you -- you -- you know, or approach your well site
8 or going someplace, then you can't say, well, he was near me.

9 A. Um-hmm.

10 Q. Okay?

11 A. Well, the officer said that even -- that I should
12 still come and try to -- and the Yavapai County Attorney
13 stated that I should have it amended so that it reads --

14 Q. What was the name of the Yavapai County Attorney?

15 A. Jay Ireland.

16 Q. Okay. All right.

17 A. That I should have it amended to have a distance, a
18 designated distance.

19 Q. Okay. You know, again, we've been through this, and
20 if this was Patricia Olsen, person, you know --

21 A. Um-hmm.

22 Q. -- you, individual, there's a little -- it's a
23 different scenario. It's a different fact pattern than
24 Patricia Olsen, water company. So what's going on here
25 between the two of you is really all about business. It's not

1 about you personally. It's all business. So using the
2 injunction basically as a sword to prevent a citizen from, you
3 know, what they think is their civic responsibility or civic
4 duty or -- or being the bulldog, in this case, is something
5 that each and every person has a right to do.

6 A. Right.

7 Q. So --

8 A. I also -- I also do have a sign that says, Arizona
9 Revised Statute 13-1504.A(6), a person commits criminal
10 trespass in the first degree by knowingly entering or
11 remaining unlawfully in or on a critical part -- public
12 service facility.

13 Q. And, again, I'm not here to adjudicate anything
14 criminally, so if you think that there's a criminal violation,
15 then you have to take that up with YCSO, the County Attorney's
16 Office, whoever your jurisdiction is. I, you know -- again,
17 it's you as the water company, and that's why we have criminal
18 laws, so if there is something specific that has been done,
19 that you can go after that particular person in a criminal
20 fashion.

21 A. Um-hmm.

22 Q. Um, you would be the victim; you would be the State.
23 You can -- you as the water company would go ahead and file
24 that complaint with the police department. And then it's up
25 to them to take it to the county attorney, and decide from

1 there.

2 A. Right. Okay.

3 Q. Yeah. But it's very difficult to say, you know, again,
4 what we have here is not your classic injunction. And when I
5 made the modification last year, I talked about this in terms
6 of, you know, a very small window of Patricia Olsen, the
7 person, Mr. Dougherty versus Patricia Olsen, the water company.
8 Okay. Do you remember that? And -- and it was --

9 MR. DOUGHERTY: Yes, Your Honor.

10 THE COURT: And it was like taking pictures or, you
11 know, taking pictures of her to harass her for her -- as
12 opposed to taking pictures of the well, taking pictures of
13 what's going on. Do you understand the difference?

14 MR. DOUGHERTY: Your Honor, absolutely, and as you
15 pointed out just now and again last summer, that there's a
16 difference between Mrs. Olsen as the individual and Mrs. Olsen
17 as the water company.

18 THE COURT: Absolutely.

19 MR. DOUGHERTY: My engagement 100% has been as
20 Mrs. Olsen, owner and operator of Montezuma Rimrock Water
21 Company, period. There has been no interaction whatsoever
22 beyond that, other than the happenstance of being in the same
23 restaurant at the same time. And when I was asked to leave, I
24 left. So I -- I -- I --

25 MS. OLSEN: Calling me a bitch when -- when you did

1 that.

2 THE COURT: You -- okay. Did you call her a bitch?

3 MR. DOUGHERTY: I did not.

4 MS. OLSEN: I have a tape recording of the server
5 that heard him call me a bitch, and he states, yes, that --

6 THE COURT: Okay. Now -- and now we get down to
7 specifics. He could say -- did he call you to your face that
8 you are a bitch, or did he just walking out say, she's a bitch.

9 MS. OLSEN: He looked over at me, and he said, you
10 bitch, and then he looks at the server and says, she's a bitch.

11 MR. DOUGHERTY: Oh, so now we're saying twice. Your
12 Honor, this person is a pathological liar, and I'd like to
13 present evidence to show it right now, if you could -- if I
14 could, please.

15 THE COURT: Oh. What evidence?

16 MR. DOUGHERTY: The police report from Wednesday of
17 last week.

18 THE COURT: And where on the police report does it
19 establish that?

20 MR. DOUGHERTY: The police report establishes she
21 made serious allegations that I struck her with the motorcycle.

22 MS. OLSEN: He did.

23 MR. DOUGHERTY: And she continues to emphasize that.
24 The second paragraph on page two of the police report says, an
25 investigation determined that the motorcycle did not collide

1 with Patricia. And the second sentence says, it appeared that
2 Patricia was possibly illegally blocking the roadway, and both
3 parties were told to seek civil remedies.

4 Mrs. Olsen makes things up out of whole cloth,
5 because she wants to see me arrested, because she imposes my
6 efforts to block her water company's operations. It's that
7 simple, Your Honor.

8 And I can also provide you a second police report in
9 her allegations against my neighbor, in which the police
10 concluded that.

11 All right. There is a pattern in which she
12 repeatedly makes false statements to use the injunction as a
13 sword. I respectfully request that this Court revoke the
14 injunction, based on the fact that you stated in July and just
15 restated that this is Mrs. Olsen as the water company, and I
16 have every right to -- to take action to the Superior Court,
17 the Board of Supervisors, the Corporation Commission opposed
18 to her water company, and she's using this injunction to try
19 to stab me left and right to the point that they've now
20 submitted a document to the Superior -- to the Yavapai County
21 Board of Supervisors, saying I was, you know, bringing the
22 injunction up as if it is relevant to the water case, and
23 saying I was arrested last December, when I was not. I was
24 never arrested. I was issued a citation. I accepted it. I
25 was never read my rights. I was never handcuffed. I was

1 never detained. Yet, they are using that as a sword in
2 proceedings before the Board of Supervisors that are pending.
3 And I provided you that document as well.

4 This is clearly an effort by her to use the
5 injunction, designed to protect individuals from, you know,
6 harassment or threats, and turning it around and trying to
7 just attack me to the point she's accusing me of a felony.

8 Thank you, Your Honor.

9 MS. OLSEN: Your Honor, may I speak?

10 THE COURT: Yes.

11 MS. OLSEN: I have the voice message from
12 Officer Godina that stated that he had arrested Mr. Dougherty,
13 that he -- and when I asked him later, well, what -- is he in
14 jail, he said, no, he -- he's -- was served a citation, which
15 is the same as an arrest. And he was here back in December, I
16 believe, when we had a court date regarding that.

17 I'm not using this as a sword. I just want him to
18 stop -- to leave me alone. He has contacted my lawyer, and
19 said he was not going to stop harassing me until I either drop
20 the injunction of harassment and two -- one, and two, that I
21 drop the criminal charges against his friend.

22 THE COURT: Okay. So if you drop the injunction,
23 he'll stop harassing you?

24 MS. OLSEN: I don't believe so. He may say that,
25 but I've learned that --

1 THE COURT: What -- what does that mean to you?

2 MS. OLSEN: It doesn't mean anything to me.

3 THE COURT: Well, I mean -- do you mean that he
4 wouldn't pursue any complaints with the Arizona Corporation
5 Commission, or, I mean, do you consider that harassment?

6 MS. OLSEN: What he's doing with the Arizona
7 Corporation Commission? No. He has rights to do that. I'm
8 not using this as a sword. I just want him -- when I'm out
9 there on Wednesday, he was there on my well site on Tuesday.
10 There's even -- he even wrote a statement that he was there.
11 I never called the police. It was just a building they were
12 putting up. Wednesday, however, my equipment came in. It's a
13 crucial part in order for me to operate. I was concerned. I
14 ran out to the road. I did not approach him at all. All I
15 did is I went out to the road; I saw that he saw me. He
16 turned around. He, instead of going down, and there was --
17 the police even took a picture of his tracks in the -- in the
18 road, going -- him on the other side of the road, and he came
19 up to me where I was standing. He approached me. Then, as
20 he's leaving, he knocks me with his motorcycle, and the police
21 officer says, well, there's no, you know, evidence that he hit
22 you with the motorcycle. Well, he was at a standstill. What
23 was he going to do at, you know, one mile an hour or two miles
24 an hour that he knocked me with his motorcycle?

25 Anyway, all I wanted was the 200 and -- either 200

1 feet or designation of that. That's what the police said that
2 I needed, so that's why I'm here.

3 MR. DOUGHERTY: Your Honor, she just lied to you.

4 THE COURT: Hang on.

5 MR. DOUGHERTY: Again.

6 THE COURT: Last -- last summer at the Arizona
7 Corporation Commission, was there something that happened or
8 did you advise them that you had an injunction against
9 harassment against him?

10 MS. OLSEN: Yes.

11 THE COURT: And -- and why did you do that?

12 MS. OLSEN: Because I was told to with the Arizona
13 Corporation Commission. I mean --

14 THE COURT: You were told to what?

15 MS. OLSEN: To submit -- I have an injunction -- a
16 no-contact order with Ivo Buddeke, and we -- I put -- I filed
17 the injunction -- my lawyer filed the injunction of harassment
18 with Dougherty.

19 THE COURT: Okay. But on the order, specifically it
20 said, the order does not prohibit Defendant from attending
21 public hearings.

22 MS. OLSEN: Right. Right. We just put that on
23 order. I mean, and the judge -- that judge actually asked for
24 us to submit that.

25 THE COURT: I was the judge.

1 MS. OLSEN: No, at ACC, Judge Harpring.

2 MR. DOUGHERTY: Your Honor, that's a complete lie.

3 THE COURT: But what --

4 MS. OLSEN: When --

5 THE COURT: Why would the administrative judge at
6 ACC ask for that? I mean, all you have to do is look at that,
7 and it says, the Defendant can attend public hearings.

8 MS. OLSEN: Right. It was not to -- we just filed
9 all this paperwork, because that's what, um -- I don't -- I
10 don't remember all the details about that, but it was
11 submitted to ACC.

12 THE COURT: Okay. I think what I have heard, and
13 what I am very comfortable in saying, is that throughout the
14 course of this almost year, what has transpired, you know,
15 I -- I tried to create this little window of protection for
16 you, but what has really transpired is the window has grown,
17 and, Ms. Olsen, you want this to protect you as the water
18 company.

19 MS. OLSEN: Well, I guess, I have to honestly say
20 that I misunderstood how this actually was working, and I came
21 here only because the officers told me to do that and the
22 county attorney.

23 THE COURT: Okay. All right. And, of course,
24 there's two sides to every story, and the county attorney
25 didn't hear both sides, so --

1 MS. OLSEN: I asked -- well, I asked what do I need
2 to do.

3 MR. DOUGHERTY: Your Honor --

4 THE COURT: I -- I realize that, and the county
5 attorney may put that out there. You know, generally county
6 attorneys do not give out legal advice. They can provide some
7 options and some suggestions, but usually they're not inclined
8 to dictate, especially when it's not their client.

9 MR. DOUGHERTY: Your Honor, I would like to point
10 out from last summer that Ms. Olsen and her attorney left the
11 injunction with the guard at the Corporation Commission. I
12 was not even allowed passed the guard's station. The hearing
13 began without me, without Judge Harpring ever seeing the
14 document that she just alleged, and the hearing was delayed
15 because someone stood up and said, hey, Mr. Dougherty has been
16 delayed outside for 45 minutes, and the judge made a footnote
17 in that, that I submitted in my appeal to the Superior Court.
18 And I can bring that in here to just completely blast out the
19 lie she just made to you just now. She never presented that
20 to Harpring. The hearing was delayed for 45 minutes, and then
21 she saw what was going on, and only at that time did Ms. Olsen
22 and her attorney say, oh, we don't have a problem with
23 Mr. Dougherty attending.

24 MS. OLSEN: No.

25 MR. DOUGHERTY: Well, they had made a huge effort to

1 denigrate me in front of the Commission at a crucial hearing.
2 She used it as a sword, Your Honor.

3 MS. OLSEN: No, I --

4 MR. DOUGHERTY: And she's continuing to use it as a
5 sword.

6 MS. OLSEN: I gave it to him because I -- I don't
7 want to be harassed outside of the building. You can be in
8 the building. You can do what you need to do. I'm not trying
9 to prevent you from any legal proceedings that you are trying
10 to -- or avenues that you are trying to follow. However, me,
11 as a person, I felt that I should be protected.

12 As a matter of fact, one day after the hearing,
13 another hearing, Mr. Dougherty, who is not parked more than
14 ten feet away from me in the other parking space, stood -- sat
15 there, and my lawyer was present at that time, saw that he was
16 boldly staying while I was -- and trying to harass me. He
17 even drove around the other side of the parking lot, where I
18 went to my lawyer to make sure that I was not alone, and he
19 drives over there by us and passes us.

20 MR. DOUGHERTY: Your Honor, this is another total
21 fabrication, coming out of thin air, with no witnesses and
22 never filed.

23 THE COURT: I mean, it's a parking garage.

24 MS. OLSEN: I know he's driving, but he's trying to
25 intimidate me.

1 THE COURT: Okay. All right. Rarely do I do this,
2 but I think it's warranted in this case. This has created
3 nothing but one problem after the next. And in lieu of
4 modification, Ms. Olsen, I'm just going to dismiss it, because
5 I think there have been violations. I think there has been
6 abuse of this injunction. And, again, I tried to keep it
7 separate. You know, the understanding was that we had
8 Patricia Olsen, the person; we had Patricia Olsen, the water
9 company. And you want to combine the two, which was not the
10 intent when we modified the order last summer.

11 So for the sake of all of the parties, and I think
12 for the safety, believe it or not, of all the parties, and
13 maybe even some cost savings at law-enforcement level, I'm
14 going to go ahead and dismiss this order, because it really
15 has been abused.

16 All right. Now, one last piece of business here.
17 Mr. Dougherty has petitioned this Court for an injunction
18 against you. By the same token, Mr. Dougherty, I think I'm
19 going to deny your injunction, in hopes that that will, at
20 least, level the playing field and that you two can do
21 whatever needs to be done as John -- or as John Dougherty, the
22 citizen, and Patricia Olsen, the water company. And I think
23 that is going to be the best outcome for all of this.

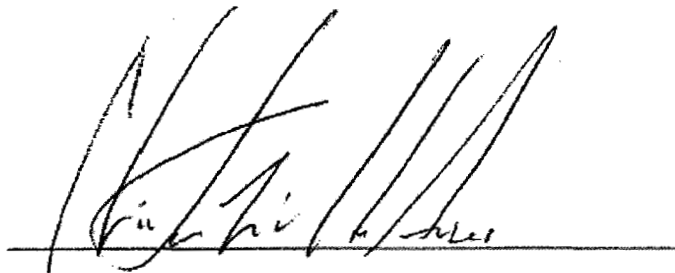
24 MR. DOUGHERTY: Thank you, Your Honor.

25 THE COURT: So ordered.

1
2 BE IT KNOWN that the foregoing transcript was
3 transcribed from a digital recording by Christina M. Arias;
4 that I was the preparer of this transcript, but was not
5 present in person at the proceedings. The above-mentioned
6 transcriber does not certify that the recording itself is
7 accurate or complete. Where the recording was unintelligible,
8 inaudible, or garbled, the parenthetical "indiscernible" was
9 inserted.

10
11 I CERTIFY that the foregoing pages are as true and
12 complete a transcript of the digital recording as possible,
13 given the quality of the recording, and done to the very best
14 of my skill and ability.

15
16 DATED this 23rd day of June, 2013.

17
18
19
20 

21 Christina M. Arias
22
23
24
25

(Ex 110)

From: John Campbell [happyfeet@esedona.net]

Sent: Friday, February 11, 2011 7:16 PM

To: 'patsy@montezumawater.com'

Subject: int pymt on land

Hi Patsy,



Do the monthly land payments to Yavapai Title for \$363.27, still include interest expense? The interest part needs to be expensed. Can you total that up for me so that I can make a journal entry to correct that. You have record the total payment to the Land asset acct. If it OK by the ACC to record that on the company's books, then you need to tell me the total cost basis of the land. Then I can set it up on the books.

Many thanks,

John

From: Patricia Olsen [patasy@montezumawater.com]

Sent: Monday, March 07, 2011 10:22 AM

To: John Campbell

Subject: Re: company auto

2008 Chrysler PT cruiser. \$11,000. June 2009. It was brand new when I bought it. Last of the 2008s.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10

Rimrock, AZ 86335

928-592-9211

From: John Campbell <happyfeet@esedona.net>

To: patasy@montezumawater.com

Sent: Fri, February 11, 2011 1:52:32 PM

Subject: company auto

Hi Patsy,

Please give me the description of the vehicle and the original cost and date of purchase of the car.

Thanks,

John

From: Patricia Olsen [patsy@montezumawater.com]
Sent: Monday, March 07, 2011 10:28 AM
To: John Campbell
Subject: Re: ADOR reoprts
see below

*Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335
928-592-9211*

From: John Campbell <happyfeet@esedona.net>
To: Patricia Olsen <patsy@montezumawater.com>
Sent: Thu, February 24, 2011 4:59:51 PM
Subject: ADOR reoprts

Hi Patsy,

In reference to the parcel of Land you want added to the books; per the ADOR report;

- 1.) Does that land have a well on it? Yes
- 2) I need the parcel number per Yavapai county tax records. 405-25-517
- 3) I need the legal description per Yavapai county tax records. Agriculture/vacant land, non-profit real estate

Thanks,

John

From: John Campbell [mailto:happyfeet@esedona.net]
Sent: Thursday, February 24, 2011 4:35 PM
To: 'Patricia Olsen'
Subject: FW: info needed

Hi Patsy,

I just reviewed the ADOR papers. They require asset data, which would include the Land and the Vehicle info, so I will not be able to complete them until I get that info from you. I will go as far as I can without that info.

John

From: John Campbell [mailto:happyfeet@esedona.net]
Sent: Thursday, February 24, 2011 4:30 PM

To: 'Patricia Olsen'
Subject: RE: info needed

Hey Patsy,

The ADOR report is due 4-1-2011. I will start on it, meantime. I am not trying to hurry you, just wanted to let you know what's up. I think you will need a Reflexology session soon. How about I give you a complementary session, soon. Just let me know.

John

From: Patricia Olsen [mailto:patsy@montezumawater.com]
Sent: Thursday, February 24, 2011 10:52 AM
To: John Campbell
Subject: Re: info needed

I'm sorry john. (I have just been inundated. i am trying to keep up but then I have had so many breaks in the lines and have been up all hours of the night for the last two weeks trying to keep the water running. I am hoping I can get to this this weekend. ADEq is also wanting stuff. The bank for the arsenic treatment loan is requesting information I have to keep researching. Sorry. I couldn't even make it to kiwanis tuesday because of a main line break. Did you get the envelope for the state property taxes? I think that is due pretty soon. Were you able to complete that? I am on my way to phoenix for a meeting. Thanks, patsy

*Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10
Rimrock, AZ 86335
928-592-9211*

From: John Campbell <happyfeet@esedona.net>
To: patsy@montezumawater.com
Sent: Thu, February 24, 2011 10:47:37 AM
Subject: info needed

Hi Patsy,

I know you are quite busy. Just a friendly reminder, that I cannot complete with the Utility Comm. reports until I have the info on the auto and the land. For the auto, I need;

Date of purchase
Cost basis
Financing info, including; the amount financed, # of pymts, amt of payments and the interest rate.

The same in is needed for the land is needed, including Date of purchase, cost basis, the amount financed, # of pymts, amt of payments and the interest rate.

I am about 1.5 hours away from completing the ACC reports, once I have this info.

Many thanks,

John

From: Patricia Olsen [patsy@montezumawater.com]

Sent: Thursday, April 11, 2013 3:40 PM

To: John Campbell

Subject: Re: FW: westland resources

Hi John,

If you look at the file that contains the Westland Resources Invoices, there is more than one. \$878.46, \$2777.50, and ! Monies were paid towards these amounts, \$1,000.00 by the company. They are still outstanding.

Yes, I believe the concrete was paid by me.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock, AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Thu, 4/11/13, John Campbell <johncampbellsedona@gmail.com> wrote:

From: John Campbell <johncampbellsedona@gmail.com>

Subject: FW: westland resources

To: "Patricia Olsen" <patsy@montezumawater.com>

Date: Thursday, April 11, 2013, 3:27 PM

Hi Patsy,

I am resending this from yesterday

From: John Campbell [mailto:johncampbellsedona@gmail.com]

Sent: Wednesday, April 10, 2013 4:40 PM

To: 'Patricia Olsen'

Subject: westland resources

Hi Patsy,

The invoice you sent me on 4-8-13 from Westland Resources, dated 11-8-12, is for \$878.46. There are 2 payments on the boo

Westland Resources

Check	09/26/2012	3798	Chase Bank Checking	✓
Check	10/31/2012	3810	Chase Bank Checking	

Are dated in Sep and Oct.

Did you personally pay the invoice for \$878.46 ?

Did you personally pay the \$702 for the concrete foundation on 12-22-2011?

From: Patricia Olsen [patsy@montezumawater.com]
Sent: Saturday, April 13, 2013 5:44 PM
To: John Campbell
Subject: RE: Yavapai county taxes
Water Company credit card.

Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10, Rimrock, AZ 86335
928-592-9211
www.MontezumaWater.com

--- On Sat, 4/13/13, John Campbell <johncampbellsedona@gmail.com> wrote:

From: John Campbell <johncampbellsedona@gmail.com>
Subject: RE: Yavapai county taxes
To: "Patricia Olsen" <patsy@montezumawater.com>
Date: Saturday, April 13, 2013, 5:33 PM

Was that your personal credit card or the water company credit card.

From : Patricia Olsen [mailto : patsy@montezumawater.com]
Sent : Saturday, April 13, 2013 5 : 27 PM
To : John Campbell
Subject : Re : Yavapai county taxes

The May payment was paid by credit card. \$2047.31 and \$162.86. The end of year taxes haven't been paid because there is no money.

Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10, Rimrock , AZ 86335
928-592-9211
www.MontezumaWater.com

--- On Sat, 4/13/13, John Campbell <johncampbellsedona@gmail.com> wrote :

From : John Campbell <johncampbellsedona@gmail.com>

Subject : Yavapai county taxes

To : "Patricia Olsen" <patsy@montezumawater.com>

Date : Saturday, April 13, 2013, 1 : 23 PM

Hi Patsy,

I do not see any payments to Ross Jacobs for county taxes.

EX 111



From: John Campbell [johncampbellsedona@gmail.com]
Sent: Thursday, April 04, 2013 4:50 PM
To: 'Patricia Olsen'
Subject: RE: review of quickbooks

To follow up on our phone conversation, today, the following items were clarified;

In reference to the \$15,410 MRW CO paid to Patricia Arias over the 2012 calendar year;

- 1.) you informed me that ACC is aware of the \$15,410 in payments made to Patricia Arias and charged to Expense Account # 636, Contractual Services- Other and ACC is aware that you made these payments to Patricia Arias in lieu of wages paid to water company employees.
- 2.) I will prepare the ACC year reports to reflect the \$15,410 as an expense in Account # 636.
- 3.) You informed me that you have not issued IRS form 1099's to any of the contractors that were paid for services rendered to MRW Co in 2012, including Patricia Arias
- 4.) you and I discussed the Federal Income Tax implications of not filing 1099's for federal income tax purposes and payments to Patricia Arias would have to be considered Draws from the company Capital Account, which would increase the MRW Co. taxable income by \$15,410.

Thanks,

John

From: John Campbell [mailto:johncampbellsedona@gmail.com]
Sent: Wednesday, April 03, 2013 4:39 PM
To: 'Patricia Olsen'
Subject: RE: review of quickbooks

Hi Patsy,

The \$15,410. does not include the rent expense in Account # 640.

Thanks,

John

From: Patricia Olsen [mailto:patsy@montezumawater.com]
Sent: Wednesday, April 03, 2013 1:44 PM
To: John Campbell
Subject: Re: review of quickbooks

John,
\$800 per month was paid to me for rent on the house for the purposes of the business.

*Patricia Olsen, President
Montezuma Rimrock Water Co. LLC
P.O. Box 10, Rimrock, AZ 86335
928-592-9211
www.MontezumaWater.com*

--- On Wed, 4/3/13, John Campbell <johncampbellsedona@gmail.com> wrote:

From: John Campbell <johncampbellsedona@gmail.com>
Subject: review of quickbooks
To: "Patricia Olsen" <patsy@montezumawater.com>
Date: Wednesday, April 3, 2013, 1:19 PM

Hi Patsy,

I have finished my review of the MRW co books for 2012. I talked with Todd Wiley and he said to forward the general ledger to him later this week so that he can review them before I send them to Dougherty. I will send it to him on Friday.

There were 50 checks written to Patricia Arias for a total of \$15,410 that were charged to Account # 636, Contractual Services-other. (By the way, these 50 checks that are recorded on the books and made payable to Patricia Arias, do not seem to have check numbers.)

When I prepared Don and Rose Mary's tax returns, they told me that you had not issued 1099's for 2012.

Paying yourself monies for contractual services is not an acceptable procedure for tax purposes. Payments made by a business to the owner of the business should be reported as;

1) wages that are reported on a W-2,

- 2) Draws against the capital account (which cannot be done according to the ACC) or
- 3) repayment of loans from the owner to the business.

Since you did not issue 1099's and you did not have wages thru a payroll account and ACC will not allow draws against the capital, I reallocated the checks paid to Patricia Arias to repayment of Notes payable Acct # 2244. The balance of Acct # 2244 on 1-1-12 was \$11,324.14. After allocating \$11,324.14 of the checks to Acct # 2244, it had a zero balance. I reallocated the remaining \$4,086 balance to Accounts Receivable.

Patricia Arias owes the MRW Co. \$4,086. You need to repay this amount or, as we did a few years ago, record the \$4,086 as wages in 2013.

After the above changes and after recording depreciation and amortization, the **net profit** of the water company for 2012 is **\$7,492**.

This will be reported as a net Profit on IRS schedule C.

If you have any questions about this, please email or call me.

I will prepare the ACC reports after I hear back from Todd Wiley.

Many thanks,

John

From: Patricia Olsen [patsy@montezumawater.com]

Sent: Thursday, April 11, 2013 2:59 PM

To: John Campbell

Subject: Re: FW: FW: Finance Applications

Yes. And if you look at the lease agreements you will see how much money was paid up front. There is a box with the initial amount included. Also, I started making the payments in May. So from May to December, I made the payments.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock, AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Thu, 4/11/13, John Campbell <happyfeet@esedona.net> wrote:

From: John Campbell <happyfeet@esedona.net>

Subject: FW: FW: Finance Applications

To: "Patricia Olsen" <patsy@montezumawater.com>

Date: Thursday, April 11, 2013, 10:56 AM

Hi Patsy,

I need this question answered before I can finish the 2012 year on Quickbooks and I need the Quickbooks finished before I can finish the ACC reports and you tax return.

Thanks

John

From : John Campbell [mailto : happyfeet@esedona.net]

Sent : Wednesday, April 10, 2013 4 : 20 PM

To : 'Patricia Olsen'

Subject : RE : FW : Finance Applications

DO you want me to set up a Note Payable to you for the payments you made in 2012? If so, give me the total payments you made, including the initial upfront payments you made for each individual lease.

From : Patricia Olsen [mailto : patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 4 : 12 PM
To : John Campbell
Subject : Re : FW : Finance Applications

Yes. That way I can get reimbursed when the money comes in.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : FW : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 4 : 10 PM

Do you still want to capitalize it on the books and depreciate it?

Subject : RE : Finance Applications

I don't remember. So much has been going on. Oh, wait. I.. the water company isn't supposed to pay it because it hasn't been approved yet.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 4 : 00 PM

Hi Patsy,

I am not sure why you paid it yourself, but that makes it troublesome to put it on your books if there were no payments. Does ACC know you paid it yourself?

From : Patricia Olsen [mailto : patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 3 : 54 PM
To : John Campbell
Subject : RE : Finance Applications

It was either in May June or July of 2012. Oh, by the way, I paid for the first 5 or 6 months so you won't see it on the books. Kevlor is only the guy who built it. No money goes to him. The leasing company of the arsenic treatment system is Financial Pacific even though you don't see their name anywhere on the second lease.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 3 : 40 PM

Usurous!!

When did the payments start?

I do not see any payments to Kevlor design or Niles River Leasing?

From : Patricia Olsen [mailto : patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 3 : 34 PM
To : John Campbell
Subject : RE : Finance Applications

WOW!!!!

How ridiculous is that?

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 3 : 32 PM

Hi Patsy,

The implicit interest rate on equip on \$38,000 is 28%

The implicit interest rate on building of \$8,000 is 35%

Thanks,

John

From : Patricia Olsen [mailto : patsy@montezumawater.com]

Sent : Wednesday, April 10, 2013 12 : 31 PM
To : happyfeet@esedona.net
Cc : Todd Wiley
Subject : Finance Applications

I sent the wrong finance application documents previously. Here are the correct ones.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

Hi Patsy,

After reviewing the books, I have the following questions and comments. In years past, I have prepared the ACC reports without making a detailed analysis of individual entries on the books, simply because,

1). A detailed analysis takes more time and expense for you.

2). At this time of year, I have a very busy work schedule.

Last year I was called upon by you and Doug Fitzpatrick to write letters and make official statements in reference to prior years ACC reports and the books in general. For the 2011 year, I am making a more detailed review of the accounting records. Listed below, are entries that could be subject to questions upon review by ACC or other parties that may have access to your books

date	Chk #	Payable to	amount		acct #	amount
1/17/2011	2883	chase Bank	\$ 500.00	coded to	349	\$ 100.00
					343	\$ 125.00
					333	\$ 75.00
					320	\$ 75.00
					311	\$ 125.00
				total of CChk # 2883		\$ 500.00
1/6/2011	2939	bank of West			101 other	\$ 195.19
2/4/2011	2888	bank of West			101 other	\$ 195.19
3/6/2011	2980	bank of West			101 other	\$ 195.19
2/17/2011	2967	chase bank	\$ 431.00	coded to	339	\$ 100.00
					331	\$ 100.00
					333	\$ 100.00
					349	\$ 131.00
						\$ 431.00
3/15/2011	2992	chase bank	\$ 426.00		345	\$ 100.00
					345	\$ 30.00
					348	\$ 75.00
					335	\$ 100.00
					121	\$ 121.00
						\$ 426.00
4/17/2011	2039	chase bank	\$ 393.00		636	\$ 100.00
					631	\$ 100.00
					335	\$ 100.00
					331	\$ 93.00
						\$ 393.00
5/18/2011	2069	chase bank	\$ 438.00		631	\$ 140.00
					620	\$ 100.00
					340	\$ 75.00
					339	\$ 123.00
						\$ 438.00

01/13/2011	2938	Yavapai Title	303	363.27	these principal and interest payments need to be
02/04/2011	2890	Yavapai Title	303	363.27	allocated to reduce the mortgage principal and
03/06/2011	2981	Yavapai Title	303	363.27	expense the interest expense. Please
04/05/2011	2023	Yavapai Title	303	363.27	
05/08/2011	2051	Yavapai Title	303	363.27	
06/06/2011	2077	Yavapai Title	303	363.27	
07/07/2011	2113	Yavapai Title	303	363.27	
Total 303				<u>2,542.89</u>	

I need information to record the payoff of the note payable you paid off with your own funds.

An entry needs to be made on the books for MRWCO.

A copy of the check you paid from your personal funds would be the best documentation for the company records.

Also, a copy of the paid off note payable would be a good thing to have on file.

Question in reference to Profit/Loss statement

Account # 604, Employee Pensions and Benefits

FYI, this account could be a problem, since it is for employees, and in 2011, you technically did not have any employee, since you paid no payroll. In addition to that, there are 51 entries but only but only 12 entries have check numbers. Even in a strict bookkeeping sense, without check numbers, it is very difficult to reconcile a checking account. I cannot see where the Chase bank Account was reconciled in 2011.

01/06/2011	De Rosa PT	604	50.00
01/13/2011	De Rosa PT		20.00
01/19/2011	Lincoln Benefit		131.82
01/19/2011	Lincoln Benefit		18.03
01/19/2011	Lincoln Benefit		16.10
01/24/2011	De Rosa PT		20.00
02/03/2011	2887 Lincoln Benefit		100.00
02/04/2011	2954 FMC		50.00
02/05/2011	2889 Perry Lin		100.00
02/10/2011	De Rosa PT		20.00
02/17/2011	Lincoln Benefit		18.03
02/17/2011	Lincoln Benefit		16.10
03/06/2011	2982 Perry Lin		152.03
03/11/2011	FMC		6.79
03/15/2011	2994 FMC		50.00
03/17/2011	Lincoln Benefit		18.03
03/17/2011	Lincoln Benefit		16.10
04/19/2011	Lincoln Benefit		18.03
04/19/2011	Lincoln Benefit		16.10
05/03/2011	Lincoln Benefit		100.00
05/17/2011	Lincoln Benefit		16.10
05/17/2011	Lincoln Benefit		18.03
06/01/2011	Lincoln Benefit		100.00
06/06/2011	2082 Sonora Quest Lab		32.17
06/06/2011	2083 Northern Arizona Ortho		31.32
06/17/2011	Lincoln Benefit		16.10
06/17/2011	Lincoln Benefit		18.03
07/05/2011	Lincoln Benefit		100.00
07/11/2011	Concentra		20.00
07/19/2011	Lincoln Benefit		16.10
07/19/2011	Lincoln Benefit		18.03
07/19/2011	2128 Concentra		4.95
08/02/2011	Lincoln Benefit		100.00
08/16/2011	Lincoln Benefit		16.10

08/13/2011	Lincoln Benefit	18.03
09/19/2011	Lincoln Benefit	16.10
09/19/2011	Lincoln Benefit	18.03
10/04/2011	Lincoln Benefit	100.00
10/13/2011	Flagstaff Medical Center	70.00
10/18/2011	Lincoln Benefit	16.10
10/18/2011	Lincoln Benefit	18.03
10/31/2011	Concentra	20.00
11/01/2011	Lincoln Benefit	100.00
11/07/2011 3534	Linnea Lei	20.00
11/16/2011 3546	Linnea Lei	20.00
11/17/2011	Lincoln Benefit	16.10
11/17/2011	Lincoln Benefit	18.03
12/02/2011	Lincoln Benefit	100.00
12/09/2011 3560	Linnea Lei	20.00
12/19/2011	Lincoln Benefit	16.10
12/19/2011	Lincoln Benefit	18.03
12/19/2011 3566	Linnea Lei	90.00
		<u>2,138.64</u> Total 604

Account 600-Other

Another account with only one check number

Checks payable to - "Transfer to Hookup account" and " Transfer to Deposit Account"

These entries do not make sense, since a tranfer "TO" a checking account would be a debit to the checking account and here, the debit is to an expense account.

The "Hookup account" and the Account Deposit" account reflect no activity in 2011.

600-Other

08/19/2011 2101	YCSO	84.80
08/09/2011	Yavapai Bottle Gas	120.00
08/10/2011	Transfer to Hookup	1,500.00
08/15/2011	Premium	12.00
08/16/2011	Staples	122.57
08/18/2011	Transfer to Hookup	1,500.00
08/25/2011	Transfer to Account Deposit	200.00
08/26/2011	Coscto	188.69
08/30/2011	Staples	100.21
09/03/2011	Intuit Payroll	187.11
09/03/2011	Quickbooks Finance	197.48
09/08/2011	Transfer to Account Deposit	1,000.00
09/12/2011	Transfer to Account Deposit	1,000.00
09/19/2011	National Bank	91.83
09/19/2011	Transfer to Account Deposit	1,000.00
09/26/2011	Transfer to Account Deposit	1,000.00
09/30/2011	Transfer to Account Deposit	300.00
11/17/2011	Yavapai Bottle Gas	100.00
11/25/2011	Rosita's Place	21.60
11/29/2011	Transfer to Account Deposit	200.00
11/29/2011	Transfer to Hookup	200.00
		<u>\$ 9,126.29</u>
Total 600		

From: Patricia Olsen [patsy@montezumawater.com]

Sent: Thursday, April 11, 2013 2:59 PM

To: John Campbell

Subject: Re: FW: FW: Finance Applications

Yes. And if you look at the lease agreements you will see how much money was paid up front. There is a box with the initial amount included. Also, I started making the payments in May. So from May to December, I made the payments.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock, AZ 86335

928-592-9211

www.MontezumaWater.com

--- On **Thu, 4/11/13**, John Campbell <happyfeet@esedona.net> wrote:

From: John Campbell <happyfeet@esedona.net>

Subject: FW: FW: Finance Applications

To: "Patricia Olsen" <patsy@montezumawater.com>

Date: Thursday, April 11, 2013, 10:56 AM

Hi Patsy,

I need this question answered before I can finish the 2012 year on Quickbooks and I need the Quickbooks finished before I can finish the ACC reports and you tax return.

Thanks

John

From : John Campbell [mailto : happyfeet@esedona.net]

Sent : Wednesday, April 10, 2013 4 : 20 PM

To : 'Patricia Olsen'

Subject : RE : FW : Finance Applications

DO you want me to set up a Note Payable to you for the payments you made in 2012? If so, give me the total payments you made, including the initial upfront payments you made for each individual lease.

From : Patricia Olsen [mailto : patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 4 : 12 PM
To : John Campbell
Subject : Re : FW : Finance Applications

Yes. That way I can get reimbursed when the money comes in.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : FW : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 4 : 10 PM

Do you still want to capitalize it on the books and depreciate it?

Subject : RE : Finance Applications

I don't remember. So much has been going on. Oh, wait.l.. the water company isn't supposed to pay it because it hasn't been approved yet.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 4 : 00 PM

Hi Patsy,

I am not sure why you paid it yourself, but that makes it troublesome to put it on your books if there were no payments. Does ACC know you paid it yourself?

From : Patricia Olsen [mailto:patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 3 : 54 PM
To : John Campbell
Subject : RE : Finance Applications

It was either in May June or July of 2012. Oh, by the way, I paid for the first 5 or 6 months so you won't see it on the books. Kevlor is only the guy who built it. No money goes to him. The leasing company of the arsenic treatment system is Financial Pacific even though you don't see their name anywhere on the second lease.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 3 : 40 PM

Usurous!!

When did the payments start?

I do not see any payments to Kevlor design or Niles River Leasing?

From : Patricia Olsen [mailto:patsy@montezumawater.com]
Sent : Wednesday, April 10, 2013 3 : 34 PM
To : John Campbell
Subject : RE : Finance Applications

WOW!!!!!!

How ridiculous is that?

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

--- On Wed, 4/10/13, John Campbell <happyfeet@esedona.net> wrote :

From : John Campbell <happyfeet@esedona.net>
Subject : RE : Finance Applications
To : "Patricia Olsen" <patsy@montezumawater.com>
Date : Wednesday, April 10, 2013, 3 : 32 PM

Hi Patsy,

The implicit interest rate on equip on \$38,000 is 28%

The implicit interest rate on building of \$8,000 is 35%

Thanks,

John

From : Patricia Olsen [[mailto : patsy@montezumawater.com](mailto:patsy@montezumawater.com)]

Sent : Wednesday, April 10, 2013 12 : 31 PM
To : happyfeet@esedona.net
Cc : Todd Wiley
Subject : Finance Applications

I sent the wrong finance application documents previously. Here are the correct ones.

Patricia Olsen, President

Montezuma Rimrock Water Co. LLC

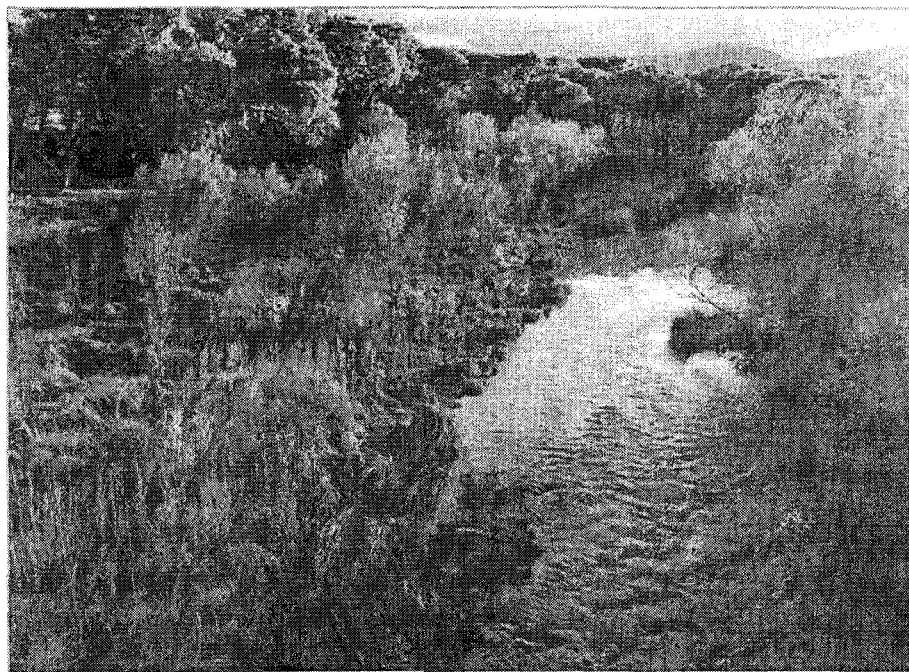
P.O. Box 10, Rimrock , AZ 86335

928-592-9211

www.MontezumaWater.com

Effects of Past and Future Groundwater Development on the Hydrologic System of Verde Valley, Arizona

Communities in central Arizona's Verde Valley must manage limited water supplies in the face of rapidly growing populations. Developing groundwater resources to meet human needs has raised questions about the effects of groundwater withdrawals by pumping on the area's rivers and streams, particularly the Verde River. U.S. Geological Survey hydrologists used a regional groundwater flow model to simulate the effects of groundwater pumping on streamflow in the Verde River. The study found that streamflow in the Verde River between 1910 and 2005 had been reduced as the result of streamflow depletion by groundwater pumping, also known as capture. Additionally, using three hypothetical scenarios for a period from 2005 to 2110, the study's findings suggest that streamflow reductions will continue and may increase in the future.



Introduction

The Verde River, in central Arizona's Verde Valley, is one of the State's largest perennial streams, having year-round flow that is fed by groundwater. Water is diverted from the Verde River and other perennial streams at more than 60 locations within the Verde Valley, primarily for irrigation of residential and cultivated fields. Verde Valley municipalities such as Camp Verde, Clarkdale, Cottonwood, and Sedona also pump groundwater to meet the needs of a growing population.

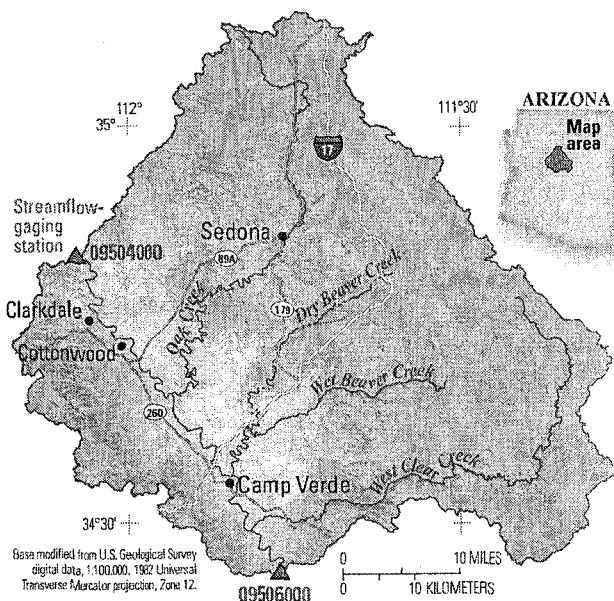
Groundwater pumping has the potential to reduce streamflow in the rivers and streams that are hydrologically connected to the groundwater system. Groundwater that seeps into the stream channel, known as base flow, is one component of streamflow potentially affected by groundwater pumping. Because of this connection, questions have been raised about the effects of groundwater pumping on Verde Valley streams and rivers, particularly on the Verde River, which provides wildlife habitat and recreational opportunities.

The Verde River Basin Partnership, a group of Federal, State, local, and other

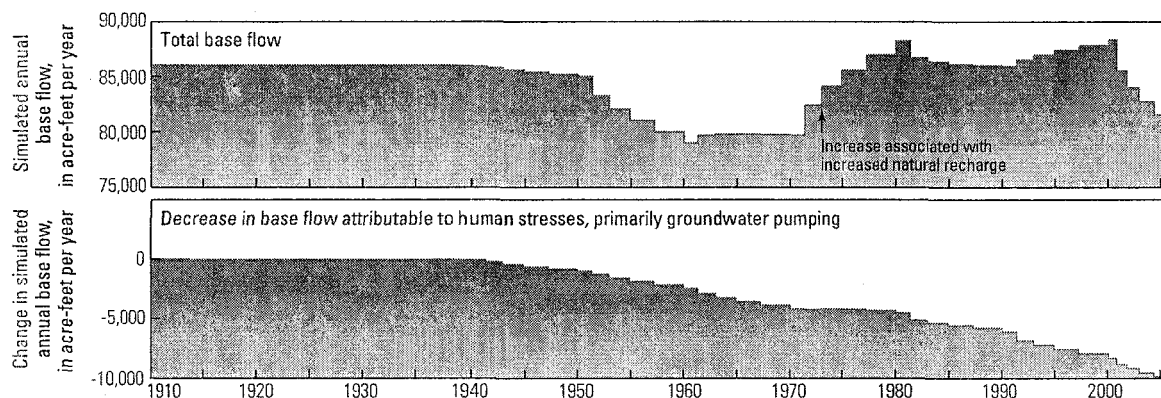
The Verde River flows through the Verde Valley in the central part of Arizona and provides wildlife habitat and recreational opportunities. Groundwater development to meet the needs of growing communities has reduced base flow to the Verde River and will continue to do so in the future, according to recent U.S. Geological Survey study. (Copyright © John Rodger, used with permission.)

entities with water responsibilities and expertise, was established by Congress to prepare a plan for conducting water-resource studies in the Verde River Basin. The U.S. Geological Survey (USGS) assisted with the development of the plan.

This fact sheet summarizes key findings of a recent USGS study examining the effects of groundwater development in the Verde Valley, particularly how it affects streamflow in the Verde River. The study area is defined as a 1,500-square-mile area of the Verde Valley subbasin between two USGS streamflow-gaging stations on the Verde River: one located near Clarkdale, Arizona, and a second located downstream near Camp Verde, Arizona.



The study area is defined as a 1,500-square-mile area of the Verde Valley subbasin located between two USGS streamflow-gaging stations on the Verde River: one near Clarkdale, Arizona (station identifier 09504000) and a second downstream near Camp Verde, Arizona (station identifier 09506000).



Base flow simulated by the Northern Arizona Regional Groundwater Flow Model, at Verde River near Camp Verde, USGS streamflow-gaging station 09506000. Top, absolute magnitude; bottom, relative change in base flow attributable to human stresses.

Study Methods

To understand changes taking place over time in the Verde Valley hydrologic system, USGS hydrologists used the Northern Arizona Regional Groundwater Flow Model (Pool and others, 2011) to develop water budgets for the portion of the study area's hydrologic system that flows through the subsurface as groundwater. A water budget estimates the amount of water and its rates of movement in an area using the same accounting principles as those used in financial accounting. Recharge is similar to income, discharge is similar to expenditures, and water stored within aquifers is similar to an account balance. Groundwater in the Verde Valley is primarily recharged naturally by rain or snowmelt that flows into and through aquifers. Groundwater leaves the local and regional aquifers by (1) discharging into streams from springs above and below the water surface, (2) moving into the atmosphere through evaporation and plant transpiration from vegetated areas near streams, or (3) pumping from wells.

Using the model, the study examined how human stresses on the hydrologic system in and around the Verde Valley from 1910 to 2005 affected streamflow in the Verde River. The study also considered future conditions using three hypothetical scenarios for 2005–2110: unchanged, increased, and decreased levels of human stresses. Groundwater withdrawals by pumping were the primary human stresses that were simulated by the study. Incidental and artificial recharge, processes that return some pumped water to the groundwater system through activities such as irrigation of croplands, were other human stresses that also were simulated.

Findings

Withdrawing groundwater from a well intrinsically alters the hydrologic system; water removed from the system by wells is

not available elsewhere in the system. This study's findings indicate that human stresses to the groundwater system—namely, groundwater pumping—have affected base flow in the Verde River through streamflow capture. Streamflow capture is the process by which groundwater pumping intercepts groundwater that would otherwise have flowed to connected streams or draws water from the stream into the aquifer. Base flow is one component of overall streamflow; the other component is runoff, or precipitation that is not absorbed by the land surface and flows into waterways. The model used in this study did not simulate runoff, so all findings discussed here relate to base flow.

As of 2005, annual base flow at the Clarkdale gage was estimated to have decreased by about 4,900 acre-feet per year (acre-ft/yr) since 1910 as a result of pumping. An acre-foot is the volume of water it would take to cover 1 acre, or about the area of a football field, to a depth of 1 foot, which is about 326,000 U.S. gallons. From 2005 to 2110, depending on the amount of pumping, base flow at the Clarkdale gage was projected to decrease an additional 2,700 to 3,800 acre-ft/yr.

At the downstream Camp Verde gage, base flow as of 2005 had decreased by about 10,000 acre-ft/yr because of pumping between 1910 and 2005. Model simulations indicated that base flow at the Camp Verde gage could continue to decrease during the 2005–2110 period by 5,400 to 8,600 acre-ft/yr depending on the amount of groundwater pumped.

Groundwater storage in aquifers within the Verde Valley, as of 2005, was decreasing at about 29,000 acre-ft/yr; about 12,000 acre-ft/yr of this amount was attributable to pumping. Over time, the model projections suggest that the rate of groundwater-storage decrease would slow.

Conclusion

As of 2005, human stresses were found to have decreased the base-flow component of streamflow in the Verde River. Three

hypothetical scenarios also indicate that human stresses were capable of causing continued and additional decreases in base flow in the future. These findings are consistent with (1) the concept of capture, (2) previous studies that have found surface-water and groundwater systems in the Verde River groundwater basin to be connected, and (3) the characterization of groundwater and surface water as a single resource. "All water discharged by wells is balanced by a loss of water somewhere," as C.V. Theis (1940) noted more than 70 years ago.

Further Information

A fuller exposition of these findings is in: Garner, B.D., Pool, D.R., Tillman, F.D., and Forbes, B.T., 2013, Human effects on the hydrologic system of the Verde Valley, central Arizona, 1910–2005 and 2005–2110, using a regional groundwater flow model: U.S. Geological Survey Scientific Investigations Report 2013–5029, 47 p. (Available at <http://pubs.usgs.gov/sir/2013/5029/>)

References Cited

- Pool, D.R., Blasch, K.W., Callegary, J.B., Leake, S.A., and Graser, L.F., 2011, Regional groundwater-flow model of the Redwall-Muav, Coconino, and alluvial basin aquifer systems of northern and central Arizona: U.S. Geological Survey Scientific Investigations Report 2010–5180, 101 p.
- Theis, C.V., 1940, The source of water derived from wells: *Civil Engineering*, v. 10, p. 280.

Bradley D. Garner and D.R. Pool

Edited by *Claire M. Landowski*
Graphic design by *Jeanne S. DiLeo*

For more information contact:
U.S. Geological Survey
Arizona Water Science Center
Tucson, Arizona
520-670-6671

This fact sheet and any updates to it are available online at <http://pubs.usgs.gov/fs/2013/3016/>